

**CITY OF IRON RIVER**

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**Financial Report  
with Supplemental Information  
Prepared in Accordance with GASB 34**

**June 30, 2004**

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

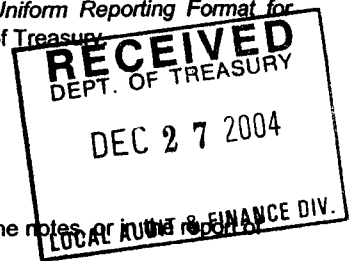
Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>CITY OF IRON RIVER</b>	County <b>IRON</b>
Audit Date <b>JUNE 30, 2004</b>	Opinion Date <b>NOVEMBER 19, 2004</b>	Date Accountant Report Submitted to State: <b>DECEMBER 20, 2004</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes or in the comments and recommendations



You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).	X		

Certified Public Accountant (Firm Name) <b>DS ROSTAGNOC, CPA, P.C.</b>			
Street Address <b>101 WEST MAPLE STREET</b>	City <b>IRON RIVER</b>	State <b>MI</b>	ZIP <b>49935</b>
Accountant Signature 		Date <b>DECEMBER 20, 2004</b>	

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# ***DS Rostagno, CPA, P.C.***

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Honorable Mayor and Members of the City Council  
City of Iron River  
Iron River, Michigan 49935

## **INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and aggregate remaining fund information of the **City of Iron River**, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of governmental activities, the business-type activities, the aggregate discretely component units, each major fund, and the aggregate remaining fund information of the **City of Iron River** at June 30, 2004, and the respective changes in financial position, and cash flows, where applicable, thereof for the year ended, in conformity with generally accepted accounting principles in the United States of America.


In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2004, on our consideration of the **City of Iron River's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 6 through 19 and the budgetary comparison information are not a required part of the basic financial statements but are supplemental information required by the *Governmental Accounting Standards Board*. We have applied certain limited procedures, which consisted principally of the inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements that collectively comprise the City's basic financial statements. This introductory section and the combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

  
Dianne S. Rostagno  
DS ROSTAGNO, CPA, P.C.

November 19, 2004

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

# City of Iron River

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The management of the **City of Iron River** provides this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2004. As readers, you are encouraged to read this discussion and analysis in conjunction with the City's financial statement information included in this report.

## ***Overview of the Financial Statements***

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The financial section of this report included management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements are comprised of three components:

- 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

## ***Government-wide financial statements***

The government-wide financial statements are designed to provide the readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.



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## ***Government-wide financial statements (Continued)***

Both of the government-wide financial statements distinguish functions of the City that are mainly supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, highways and streets, sanitation and health, culture and recreation, and community development. The business-type activities of the City include Water Utility, Sewer Utility, and RV Park.

The government-wide financial statements include not only the City itself (known as the primary government), but also the following legally separate component units for which the City is financially accountable: *Downtown Development Authority* and *Tax Increment Financing Authority*. Financial information for these component units is reported separately from the financial information presented for the primary government.

## **Fund Financial Statements**

The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the City can be divided into three categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

### ***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating the City's near-term financing requirements.

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## **Fund Financial Statements (Continued)**

### ***Governmental Funds (Continued)***

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements and the fund financial statements is included as part of the basic financial statements.

The City maintains six governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund and major street fund, both of which are considered major funds.

All other governmental funds are presented in aggregate. Individual fund data for each fund is presented separately in the "Other Supplementary Information" section of this report.

The City adopts an annual budget for its general and special revenue funds. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the general and major street funds, and is included in the "Required Supplementary Information" section of this document.

### ***Proprietary Funds***

Proprietary funds provide services for which the City charges customers a fee. The City has only one type of proprietary fund - enterprise funds. The enterprise funds of the City are used to report the same functions as the business-type activities in their government-wide financial statements. The Water Utility and Sewer Utility funds are presented separately in both the government-wide financial statements and the fund financial statements and are considered major funds. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

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## **Fund Financial Statements (Continued)**

### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fiduciary funds for the City include the tax collection fund, the sick leave fund, and employee trust fund.

Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. These funds are presented separately in the fund financial statements section of the basic financial statements.

### ***Notes to the Financial Statements***

Notes to the financial statements are included in the basic financial statements and provide additional information that is essential for a full understanding the data provided in the government-wide and the fund financial statements.

### ***Supplementary Information***

Required supplementary information follows the basic financial statements, and includes budgetary comparison schedules for the General Fund and the City's major special revenue funds as presented in the governmental fund financial statements.

Separate combining financial statements for non-major governmental funds are also included in the Other Supplementary Information section of this document.

### ***Government-wide Financial Analysis***

In time, net assets of a governmental entity may serve as a useful indicator of the government's financial position. In the case of the City, assets exceeded liabilities by \$ 12,693,500 at June 30.

By far, the largest portion of the City's net assets is its investment in capital assets (land, buildings, machinery, and equipment), less any outstanding debt related to acquiring the asset. These capital assets are used to provide services to citizens and are not available for future spending.

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## Fund Financial Statements (Continued)

### Government-wide Financial Analysis (Continued)

Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At June 30, 2004, the City reported \$ 10,842,142 in net assets invested in capital assets net of related debt.

External restrictions of the City's net assets represent resources subject to existing external obligations or programmatic control on future use. The remaining balance of unrestricted net assets of \$ 960,474 may be used to meet the government's ongoing obligations to citizens and creditors.

Total net assets in excess of liabilities at June 30 for the governmental activities and business-type activities were \$ 6,485,804 and \$ 6,207,696, respectively.

The following summarizes the comparative net assets at fiscal years ended June 30, 2004 and 2003:

	<u>JUNE 30, 2004</u>		
	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current and other assets	\$ 1347217	\$ 809246	\$ 2156463
Capital assets, net	<u>5802101</u>	<u>12555247</u>	<u>18357348</u>
Total assets	7149318	13364493	20513811
Long-term liabilities	554347	6801000	7355347
Other liabilities	<u>109167</u>	<u>355797</u>	<u>464964</u>
Total liabilities	\$ 663514	\$ 7156797	\$ 7820311

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## Fund Financial Statements (Continued)

### Government-wide Financial Analysis (Continued)

JUNE 30, 2004

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
Net assets:			
Invested in capital assets, net of related debt	5181895	5660247	10842142
Reserved	637328	253556	890884
Unreserved	<u>666581</u>	<u>293893</u>	<u>960474</u>
<b>Total net assets</b>	<b>\$ 6485804</b>	<b>\$ 6207696</b>	<b>\$ 12693500</b>

JUNE 30, 2003

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
Current and other assets	\$ 1377055	\$ 736796	\$ 2113851
Capital assets, net	<u>6009943</u>	<u>10908203</u>	<u>16918146</u>
<b>Total assets</b>	<b>7386998</b>	<b>11644999</b>	<b>19031997</b>
Long-term liabilities	646323	6899000	7545323
Other liabilities	<u>152629</u>	<u>79970</u>	<u>232599</u>
<b>Total liabilities</b>	<b>\$ 798952</b>	<b>\$ 6978970</b>	<b>\$ 7777922</b>
Net assets:			
Invested in capital assets, net of related debt	5295441	3942203	9237644
Restricted	0	96412	96412
Unrestricted	<u>1292605</u>	<u>627414</u>	<u>1920019</u>
<b>Total net assets</b>	<b>\$ 6588046</b>	<b>\$ 4666029</b>	<b>\$ 11254075</b>

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## Fund Financial Statements (Continued)

### Government-wide Financial Analysis (Continued)

For governmental activities, net assets decreased by \$ 102,242 during the fiscal year. For business-type activities, net assets increased by \$ 1,541,667 during the fiscal year. Of this amount, a \$ 1,527,383 increase is attributed to the Water Fund, \$ 32,703 is attributed to the Sewer Fund, while a decrease of \$ 18,419 is attributed to the RV Park Fund.

The following represents the comparative changes in net assets for both governmental and business-type activities for the fiscal years ended June 30, 2004 and 2003:

### JUNE 30, 2004

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
<b>REVENUES:</b>			
<u>Program Revenues</u>			
Charges for services	\$ 490763	\$ 1383910	\$ 1874673
Operating grants and contributions	575232	0	575232
Capital grants and contributions	10000	1697100	1707100
<u>General revenues</u>			
Property taxes	746549	0	746549
Other taxes	12297	0	12297
Unrestricted grants	482235	0	482235
Other	76805	18978	95783
<b>Total Revenues</b>	<b>\$ 2393881</b>	<b>\$ 3099988</b>	<b>\$ 5493869</b>
<b>EXPENSES:</b>			
General Government	450650	0	450650
Legislative	6479	0	6479
Public safety	461264	0	461264
Public works	350101	0	350101
Highways and streets	513794	0	513794
Sanitation and health	148366	0	148366
Culture and recreation	62579	0	62579
Community development	16486	0	16486
Interest on long-term debt	37650	0	37650
Intergovernmental (Trust & Agency)	31403	0	31403
Depreciation (Unallocated)	417351	0	417351
Business-type activities:			
Water	0	913552	913552
Sewer	0	586096	586096
RV Park	0	58673	58673
<b>Total Expenses</b>	<b>\$ 2496123</b>	<b>\$ 1558321</b>	<b>\$ 4054444</b>

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## Fund Financial Statements (Continued)

### Government-wide Financial Analysis (Continued)

**JUNE 30, 2004**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Change in Net Assets	\$ (102242)	\$ 1541667	\$ 1439425
Net Assets, beginning of year	<u>6588046</u>	<u>4666029</u>	<u>11254075</u>
Net Assets, end of year	\$ 6485804	\$ 6207696	\$ 12693500

**JUNE 30, 2003**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>REVENUES:</b>			
<u>Program Revenues</u>			
Charges for services	\$ 489876	\$ 1349758	\$ 1839634
Operating grants and contributions	550105	0	550105
Capital grants and contributions	0	0	0
<u>General revenues</u>			
Property taxes	742427	0	742427
Other taxes	63889	0	63889
Unrestricted grants	489821	0	489821
Other	<u>72967</u>	<u>5501</u>	<u>78468</u>
Total Revenues	\$ 2409085	\$ 1355259	\$ 3764344
<b>EXPENSES:</b>			
General Government	387901	0	387901
Legislative	6434	0	6434
Public safety	371448	0	371448
Public works	334601	0	334601
Highways and streets	436085	0	436085
Sanitation and health	148243	0	148243
Culture and recreation	51199	0	51199
Community development	15370	0	15370
Interest on long-term debt	42005	0	42005
Intergovernmental	2263	0	2263
Depreciation (Unallocated)	397942	0	397942
Business-type activities			
Water	0	891196	891196
Sewer	0	550436	550436
RV Park	<u>0</u>	<u>49558</u>	<u>49558</u>
Total Expenses	\$ 2193491	\$ 1491190	\$ 3684681

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## Fund Financial Statements (Continued)

### Government-wide Financial Analysis (Continued)

**JUNE 30, 2003**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Change in Net Assets	\$ 215594	\$ (135931)	\$ 79663
Net Assets, beginning of year	<u>6372452</u>	<u>4801960</u>	<u>11174412</u>
Net Assets, end of year	\$ 6588046	\$ 4666029	\$ 11254075

### Governmental Activities

Property taxes and other tax revenues comprise \$ 758,846 or 31.6 percent of total governmental revenues.

Operating grants and contributions for governmental activities ended the fiscal year at \$ 575,232, primarily attributable to the State of Michigan's Act 51 funding for major and local streets. At fiscal year end, the City reported \$ 482,235 in grants and contributions not restricted for specific programs. This amount was due entirely to the State of Michigan's state sales tax distribution.

The City expensed \$ 2,496,123 on governmental programs and services. The largest expense category was incurred for highways and streets, which totaled \$ 513,794, or 20.6 percent of total expenses. General governmental expenses were \$ 450,650 or 18.1 percent of the total, and public safety expenses were \$ 461,264, or 18.5 percent of the total. Public safety expenses were attributed to management's continuing commitment to preserve the lives and property of the residents of the City. Public works expenses were \$ 350,101, or 14 percent of the total.

### Component Units

The component units of the City reported total net assets of \$ 77,326, all of which is unrestricted and available for future appropriation. The change in net assets for the City's component units at June 30 was (\$ 6,104).

### Business-type Activities

Business-type activities increased the City's net assets by \$ 1,541,667. Charges for services for the Water, Sewer, and RV Park activities for the year ended were \$ 739,139, \$ 607,659, and \$ 37,112, respectively.



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## **Business-type Activities (Continued)**

Total expenses for the Water, Sewer, and RV Park activities for the year ended were \$ 913,552, \$ 586,096, and \$ 58,673, respectively.

### Water Fund

The City of Iron River Water System Improvement project, which began in June, 2001, consisting of a \$ 5,000,000 loan and a \$ 2,415,000 grant from the United States Department of Agriculture - Rural Development continued during the year. On June 27, 2001, the City issued the City of Iron River 2001 Water Supply System Revenue bonds for the purpose of repaying the loan. Draws to meet project liabilities are first applied to loan funding, and, when depleted, are drawn against grant funds until the completion of the project. During the fiscal year, the City drew an additional \$ 21,000 of loan funds, bringing the total loan drawn to date to \$ 5,000,000, thus completing the draw on the loan. Grant funds in the amount of \$ 1,667,100 were then requested and expended, leaving a balance of funding remaining to complete this project of \$ 707,900. The project will be completed in the fiscal year ending June 30, 2005.

### Sewer Fund

On March 13, 2002, the City of Iron River and the State of Michigan Department of Environmental Quality entered into a special order of consent regarding the City's sanitation sewage collection system. Under the agreement, the City was to install a telemetered alarm at the Riverside Lift Station by November 01, 2002. On July 01, 2002, the City agreed to raise average residential sewer rates per household to generate a minimum of \$ 227,000 annually, to be set aside in an escrow account, established by the City for future improvements on the wastewater collection system. Approved expenses (requiring DEQ approval) can be paid from these funds. By July 31st of each year, the City is required to submit a report to the Marquette District Supervisor of the Surface Water Quality Division detailing the expenditures, income, and balances of this escrow account.

As of June 30, the City was in compliance with the consent order, and is working with the DEQ to remedy the possible penalty situation resulting from the prior year's noncompliance with these requirements.

### RV Park Fund

The RV Park Fund had operating revenues of \$ 40,237, primarily consisting of park rental fees. Operating expenses were \$ 58,673, which exceeded revenues by \$ 18,436. As of June 30, the RV Park Fund had net assets of \$ 128,045.

# City of Iron River

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## ***Financial Analysis of the Governmental Funds (Continued)***

As previously noted, the City uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

### **Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The City's governmental funds reported combined ending fund balances of \$ 1,351,779, of which \$ 637,328 is reserved and the remaining \$ 714,451 is available for spending at the government's discretion.

The City's primary governmental fund is its general fund. There are no reservations in the general fund's fund balance.

On the budgetary basis of accounting, the City ended the fiscal year with revenues less than the final projection. Total expenditures were also less than the final projection. At fiscal year end, the fund balance was higher than either the original or the final amended budget projections.

General fund financial and budgetary highlights of the fiscal year include:

- \* Use of money and property exceeded final budgetary projections by \$ 33,019.
- \* Charges for services were down slightly from the final amended budget, coming in at \$ 206,031, which is very close to the final budgeted estimates of \$ 206,250.
- \* State of Michigan sales tax distribution of \$ 482,235 was less than anticipated in the final amended budget by \$ 13,179.
- \* Expenditures in total for the general fund were \$ 1,603,471, less than the original budget of \$ 2,207,078 by \$ 603,607, and by the final amended budget by \$ 37,494. This was largely due to the uncertainty of State revenues and concern over general economic conditions, which resulted in measures to control spending by the City.

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## ***Financial Analysis of the Governmental Funds (Continued)***

### **Governmental Funds (Continued)**

Special revenue funds financial and budgetary highlights of the fiscal year include:

- \* State of Michigan Act 51 funding for major and local streets was slightly higher than the final budgeted amounts; amounts received from the State for Trunkline maintenance was somewhat higher than the original budget, coming in very close to the final amended budget.
- \* Total expenditures were \$ 443,463, considerably lower than budgeted in either the original or the final amended budget.

### **Proprietary Funds**

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the Water, Sewer, and RV Park funds at year-end were \$ 4,167,062, \$ 1,912,589, and \$128,045, respectively. The growth or change in net assets for the Water, Sewer, and RV Park funds were \$ 1,527,383, \$ 32,703, and (\$ 18,419), respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

## ***Capital Asset and Debt Administration***

### **Capital Assets**

The City's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities as of June 30 is \$ 18,357,348. The investment in capital assets includes land, buildings, improvements, infrastructure, machinery and equipment, and licensed vehicles.

Infrastructure assets represent \$ 18,244,544, or approximately 70 percent of the estimated original cost of total assets. Major and local street fund comprise \$ 5,124,553, or 28 percent of this infrastructure; the Water Fund's infrastructure is appraised at \$ 10,421,473, or 57 percent of the total; the Sewer Fund's infrastructure is \$ 2,664,718, or 15 percent of the total. Infrastructure attributed to the General Fund is less than one percent, recorded at just \$ 33,800.00.

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## ***Capital Asset and Debt Administration (Continued)***

### **Capital Assets (Continued)**

Major capital events during the current fiscal year included:

The City took several critical steps to meet compliance requirements imposed by the DEQ Administrative Consent Order putting an end to the \$ 1,5000 per calendar day fines.

After two years of dealing with construction related issues, the City completed Phase 1 of its \$ 7,415,000 Central Water Improvements Project. \$ 5,000,000 will be repaid by the water consumers but \$ 2,415,000 was in the form of a grant from the Federal government and requires no repayment. This year's construction costs were \$ 431,000.

The City negotiated an additional \$ 534,671 worth of improvements and has almost completed the Water Contingency Project which is being funded using 100% USDARD grant dollars. Once again, no repayment is required for this work.

The City received a small grant to fund the future visual enhancement improvements along the US-2 corridor. Approximate value of this project was \$ 3,500. No repayment of these funds will be required.

The City's DDA removed the former Jean's Floral building at a cost of \$ 46,760 making way for the M-189/US-2 Intersection Project. The reconstruction of the intersection cost approximately \$ 256,000 and was covered entirely by MDOT Safety Funds.

This past spring, the Iron River Watershed Council offered to cover the costs of installing a filtration system that would help remove impurities that collect in our storm drain system before the water is discharged to the Iron River. The project was constructed at a cost of \$ 117,000 and was entirely paid for by the Watershed Council.

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## ***Capital Asset and Debt Administration (Continued)***

### **Capital Assets (Continued)**

The Apple Blossom Trail project was also undertaken this past construction season. Once again, through an initiative of the Iron River Watershed Council, the majority of this impressive trail was constructed along the river. The cost of the project was over \$ 304,000 and was totally funded through grant dollars from the Watershed Council at no cost to the citizens.

The West Iron County Fire Department applied for a grant to replace the Warning Siren on top of the City Hall building. A 50% grant was received and a new siren was installed at a cost of approximately \$ 23,000. The City of Iron River paid \$ 11,450 toward this project. We are currently working in conjunction with our good neighbors in the City of Caspian and Iron County's 911 Director to implement an early warning system for emergencies such as dangerous weather conditions. Once initiated, this may provide a few minutes of early warning which could save lives in our communities.

Two tennis courts at Bachman Park were reconstructed after being in a state of disrepair for the last two years. Although this project was budgeted and cost the taxpayers about \$ 39,000, the reconstructed courts will add considerably to the recreation program as well as to the West Iron County tennis program this coming spring.

Along with replacing the tennis courts, the board approved the reconstruction and upgrading of the adjacent basketball courts. This was done at a cost of \$ 14,773 and although it was an unbudgeted expense, completing the work at the same time as the tennis courts resulted in considerable savings to the cost of the project.

In addition to the tennis and basketball courts, a new skate park was constructed. This project was also on the planning board for a couple of years but the engineering and construction finally were completed at a cost to date of about \$ 53, 000 dollars. Although this project was supplemented with City and DDA funds in the amount of \$ 20,000, the balance was raised in the local community by students and adults alike. The cost of the project was kept to a minimum by using volunteer help during the construction phase. The project could not have been possible without the perseverance of some very dedicated people.

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## ***Capital Asset and Debt Administration (Continued)***

### **Capital Assets (Continued)**

The Nelson Field grandstands received a badly need facelift. The West Iron County Schools have implemented a program that will pay for this restoration of the grandstands through a user fee system. By doing so, neither the City nor the School's tax dollars were required to cover this \$ 24,000 improvement.

Like the 12 days of Christmas, these projects have required a significant investment by the various contributors. None of these projects could have been accomplished without the attention of the City staff, and the cost of that participation has not been included in the totals. That being said, the projects listed above have increased the value of the City assets by the amount of \$ 1,846,704 but only cost the citizens \$ 131,983 in tax dollars or user fees. All-in-all, it has been a great year for the growth of the City. If one takes into consideration that each of these projects will in some fashion improve the quality of life for the residents of the City of Iron River, as well as their visitors and guests, the investments made have all been worthwhile. Please keep in mind that this is by no means a complete list but represents those efforts which are not normally undertaken on a routine basis.

### **Long-term debt**

As of June 30, the City (including the enterprise funds) had total bonded debt outstanding of \$ 7,230,000. Of this amount, \$ 335,000 comprises debt backed by the full faith and credit of the government. The remainder of the City's bonded debt represents bonds secured by specified revenue sources (i.e., revenue bonds).

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation of \$ 4,790,215 is higher than the City's outstanding general obligation debt.

Currently, the bond program does not maintain underlying bond ratings.

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## ***Other Economic Factors and Next Year's Budget***

### **Economic Factors**

Currently, the State of Michigan is experiencing a severe budgetary crisis. As such, it is anticipated that future state budget cuts will likely translate into strategic reductions of City expenses to maintain a fiscally sound budget.

Despite the poor outlook of the State's budget, the City's guiding principles for the upcoming fiscal year is to continue building and maintaining strong neighborhoods, provide good social and cultural conditions that support healthy families, remain a safe and clean city, and invest in opportunities that promote economic growth and financial capacity.

The City's fiscal year 2004-2005 general fund budget is \$ 1,829,972, representing a growth over the previous fiscal year.

For fiscal year 2004-2005, there are scheduled no major tax rate or fee changes.

### **Requests for information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

City Manager  
City of Iron River  
106 West Genesee Street  
Iron River, Michigan 49935

**BASIC FINANCIAL STATEMENTS**



<b>CITY OF IRON RIVER</b>
---------------------------

**STATEMENT OF NET ASSETS**

JUNE 30, 2004

	<u>PRIMARY GOVERNMENT</u>		
	<u>GOVERNMENTAL</u>	<u>BUSINESS-TYPE</u>	
	<u>ACTIVITIES</u>	<u>ACTIVITIES</u>	<u>TOTALS</u>
<b>ASSETS</b>			
<u><b>Current Assets</b></u>			
Cash and Cash Equivalents (Note C)	\$ 1149644	\$ 87938	\$ 1237582
Receivables			
Taxes	109344		109344
Accounts Receivable	29477	182139	211616
Due from Other Governmental Units	<u>58752</u>		<u>58752</u>
<b>Total Current Assets</b>	<b>1347217</b>	<b>270077</b>	<b>1617294</b>
<u><b>Noncurrent Assets</b></u>			
Restricted Cash		539169	539169
Capital Assets, Net (Note H)	<u>5802101</u>	<u>12555247</u>	<u>18357348</u>
<b>Total Noncurrent Assets</b>	<b>5802101</b>	<b>13094416</b>	<b>18896517</b>
<b>TOTAL ASSETS</b>	<b>7149318</b>	<b>13364493</b>	<b>20513811</b>
<b>LIABILITIES</b>			
<u><b>Current Liabilities</b></u>			
Accounts Payable	9893	176563	186456
Internal Balances	(76905)	76905	0
Due to External Parties	31425	0	31425
Accrued Salaries and Benefits	30675	8329	39004
Deferred Revenue	350		350
Bonds/Notes Payable, Due within one year (Note I)	<u>113729</u>	<u>94000</u>	<u>207729</u>
<b>Total Current Liabilities</b>	<b>109167</b>	<b>355797</b>	<b>464964</b>
<u><b>Noncurrent Liabilities</b></u>			
Bonds/Notes Payable (Note I)	506477	6801000	7307477
Compensated Absences Payable	<u>47870</u>		<u>47870</u>
<b>Total Noncurrent Liabilities</b>	<b>554347</b>	<b>6801000</b>	<b>7355347</b>
<b>TOTAL LIABILITIES</b>	<b>663514</b>	<b>7156797</b>	<b>7820311</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	5181895	5660247	10842142
Reserved for Streets and Highways	583085		583085
Reserved for Capital Projects	43899		43899
Reserved for Debt Service	10344		10344
Reserved for Sewer Fund Repairs/ Improvements		253556	253556
Unreserved and Undesignated	<u>666581</u>	<u>293893</u>	<u>960474</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u>6485804</u></b>	<b>\$ <u>6207696</u></b>	<b>\$ <u>12693500</u></b>

CITY OF IRON RIVER
--------------------

STATEMENT OF NET ASSETS

JUNE 30, 2004

<u>COMPONENT UNITS</u>	<u>REPORTING ENTITY TOTALS</u>
\$ 77788	\$ 1315370
2216	111560
<u>0</u>	<u>211616</u>
80004	<u>58752</u>
	1697298
<u>0</u>	539169
0	<u>18357348</u>
80004	18896517
	20593815
2104	188560
0	0
574	31425
<u>0</u>	<u>39578</u>
2678	350
	<u>207729</u>
	467642
<u>0</u>	7307477
0	<u>47870</u>
0	7355347
2678	7822989
0	10842142
0	583085
	43899
	10344
<u>77326</u>	253556
	<u>1037800</u>
\$ <u>77326</u>	\$ <u>12770826</u>

The notes to the financial statements are an integral part of this report.

**CITY OF IRON RIVER**

**STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2004

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICE	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS
<b>Primary Government</b>				
General government	\$ 450650	\$ 51807	\$ 0	\$ 0
Legislative	6479			
Public safety	461264	3373	6553	0
Public works	350101	227990		
Highways and streets	513794	2818	532624	0
Sanitation and health	148366	204681		0
Culture and recreation	62579	94	36055	10000
Community development	16486			
Interest on Long-Term Debt	37650			
Intergovernmental (Trust and Agency)	31403			
Depreciation (Unallocated)	<u>417351</u>	<u>0</u>	<u></u>	<u>0</u>
<b>Total Governmental Activities</b>	<b>2496123</b>	<b>490763</b>	<b>575232</b>	<b>10000</b>
<b><u>Business-type Activities</u></b>				
Water	913552	739139		1697100
Sewer	586096	607659		0
RV Park	<u>58673</u>	<u>37112</u>	<u></u>	<u>0</u>
<b>Total Business-type Activities</b>	<b>1558321</b>	<b>1383910</b>	<b>0</b>	<b>1697100</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>4054444</b>	<b>1874673</b>	<b>575232</b>	<b>1707100</b>
<b>Component Units</b>				
DDA	17225			0
TIF	<u>135995</u>	<u></u>	<u>17117</u>	<u>0</u>
<b>Total Component Units</b>	<b>153220</b>		<b>17117</b>	<b>0</b>

**General Revenues:**

**Taxes:**

Property taxes levied for general operations  
Property taxes levied for DDA and TIF  
Other  
Penalties and Interest on Taxes  
State Sales Tax Distribution  
Gain on Sale of Property  
Interest and Investment Earnings  
Other

**Total General Revenues**

**Change in Net Assets**

**NET ASSETS - BEGINNING OF YEAR**

**NET ASSETS - END OF YEAR**

**CITY OF IRON RIVER**

**STATEMENT OF ACTIVITIES**

*FISCAL YEAR ENDED JUNE 30, 2004*

**NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS**

<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>	<u>COMPONENT UNITS</u>
\$ (398843)	\$	\$ (398843)	\$ 0
(6479)		(6479)	
(451338)		(451338)	0
(122111)		(122111)	
21648		21648	0
56315		56315	0
(16430)		(16430)	0
(16486)		(16486)	
(37650)		(37650)	
(31403)		(31403)	
<u>(417351)</u>	<u>0</u>	<u>(417351)</u>	<u>0</u>
(1420128)	0	(1420128)	0
	1522687	1522687	0
	21563	21563	0
	<u>(21561)</u>	<u>(21561)</u>	<u>0</u>
0	1522689	1522689	0
(1420128)	1522689	102561	0
			(17225)
			<u>(118878)</u>
0	0	0	(136103)
746549		746549	
12297		0	129814
31872		12297	
482235		31872	
6754		482235	
2045	3527	6754	
<u>36134</u>	<u>15451</u>	<u>5572</u>	185
<u>1317886</u>	<u>18978</u>	<u>1336864</u>	<u>129999</u>
(102242)	1541667	1439425	(6104)
<u>6588046</u>	<u>4666029</u>	<u>11254075</u>	<u>83430</u>
\$ <u>6485804</u>	\$ <u>6207696</u>	\$ <u>12693500</u>	\$ <u>77326</u>

The notes to the financial statements are an integral part of this report.

**CITY OF IRON RIVER**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

JUNE 30, 2004

	<u>GENERAL</u>	<u>SPECIAL REVENUE FUNDS</u>	<u>OTHER NONMAJOR GOVERN- MENTAL FUNDS</u>	<u>TOTAL GOVERN- MENTAL FUNDS</u>
<b>ASSETS</b>				
Cash and Investments (Note C)	\$ 504543	\$ 378217	\$ 266884	\$ 1149644
Receivables:				
Taxes	109344			109344
Accounts Receivable	28429		1048	29477
Due from Other Funds	77930			77930
Due from Other Governmental Units	58752			58752
<b>TOTAL ASSETS</b>	<u>778998</u>	<u>378217</u>	<u>267932</u>	<u>1425147</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts Payable	6545		3348	9893
Accrued Salaries and Benefits	26204	2970	1501	30675
Due to Other Funds	31448	1002		32450
Deferred Revenue (Note A)	350			350
<b>Total Liabilities</b>	<b>64547</b>	<b>3972</b>	<b>4849</b>	<b>73368</b>
<b>FUND BALANCES</b>				
Reserved for Streets & Highways		374245	208840	583085
Reserved for Capital Projects			43899	43899
Reserved for Debt Service			10344	10344
Unreserved and undesignated	714451			714451
<b>Total Fund Balances</b>	<b>714451</b>	<b>374245</b>	<b>263083</b>	<b>1351779</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ <u>778998</u></b>	<b>\$ <u>378217</u></b>	<b>\$ <u>267932</u></b>	<b>\$ <u>1425147</u></b>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

GOVERNMENTAL FUNDS  
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS

JUNE 30, 2004

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS

\$ 1351779

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.

The cost of capital assets is:

11253344

Accumulated depreciation is:

(5451243)

Long-term liabilities are not due and payable in the current period and are not reported in the funds:

Bonds Payable

(620206)

Compensated Absences

(47870)

Other long-term assets not available to pay current period expenditures therefore deferred in the funds

0

Accrued interest is not included as a liability in governmental funds

0

Total Net Assets - Governmental Activities

\$ 6485804

The notes to the financial statements are an integral part of this report.

**CITY OF IRON RIVER**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**

*FISCAL YEAR ENDED JUNE 30, 2004*

<u>REVENUE</u>	<u>GENERAL</u>	<u>SPECIAL REVENUE FUNDS</u>	<u>OTHER NONMAJOR GOVERN- MENTAL FUNDS</u>	<u>TOTAL GOVERN- MENTAL FUNDS</u>
General Property taxes	\$ 746549	\$ 0	\$ 0	\$ 746549
Other local taxes	12297			12297
Penalties and interest on taxes	31872			31872
Licenses, permits, and fines	3373			3373
Sale of property	14775			14775
Use of money and property	239119	808	43477	283404
Charges for services	206031			206031
Miscellaneous	9576		46055	55631
Recovered costs	26558	62076		88634
Intergovernmental	<u>510296</u>	<u>359903</u>	<u>89137</u>	<u>959336</u>
<b>TOTAL REVENUE</b>	<b>1800446</b>	<b>422787</b>	<b>178669</b>	<b>2401902</b>
 <u>EXPENDITURES</u>				
<b>Current Operating:</b>				
General government	445099			445099
Legislative	6479			6479
City Property	0			0
Public safety	461264			461264
Public works	350101			350101
Highways and streets	69841	443463	127903	641207
Sanitation and health	148366			148366
Culture and recreation	62579			62579
Community development	16486			16486
Debt Service				
Principal				
Interest and fees			94296	94296
Capital Outlay	43256		37650	37650
Intergovernmental Payments	<u>0</u>		<u>14016</u>	<u>57272</u>
<b>TOTAL EXPENDITURES</b>	<b>1603471</b>	<b>443463</b>	<b>273865</b>	<b>2320799</b>
 <b>Excess (Deficiency) of Revenues Over Expenditures</b>	 \$ 196975	 \$ (20676)	 \$ (95196)	 \$ 81103

The notes to the financial statements are an integral part of this report.

**CITY OF IRON RIVER**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2004

	<u>GENERAL</u>	<u>SPECIAL REVENUE FUNDS</u>	<u>OTHER NONMAJOR GOVERN- MENTAL FUNDS</u>	<u>TOTAL GOVERN- MENTAL FUNDS</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	\$ 0	\$ 0	\$ 96139	\$ 96139
Operating transfers out	(127542)	0	0	(127542)
Transfer to Component Unit	0	0	0	0
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	(127542)	0	96139	(31403)
<b>NET CHANGE IN FUND BALANCES</b>	69433	(20676)	943	49700
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>645018</u>	<u>394921</u>	<u>262140</u>	<u>1302079</u>
<b>FUND BALANCES - END OF YEAR</b>	\$ <u>714451</u>	\$ <u>374245</u>	\$ <u>263083</u>	\$ <u>1351779</u>

The notes to the financial statements are an integral part of this report.



CITY OF IRON RIVER

GOVERNMENTAL FUNDS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2004

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 49700

Amounts reported for governmental activities in the  
statement of activities are different because:

Governmental funds report capital outlays as  
expenditures; in the statement of activities,  
these costs are allocated over their estimated  
useful lives of depreciation.

Depreciation Expense

Capital Outlay

(417351)  
179134

Revenue reported in the statement of activities that  
does not provide current financial resources and are  
not reported as revenue in the governmental funds

Accrued interest is recorded in the statement of  
activities when incurred; it is not reported in  
governmental funds until paid

Repayment of bond principal is an expenditure in the  
governmental funds, but not in the statement of  
activities (where it reduces long-term debt)

94296

Increases (Decreases) in compensated absences are  
reported as expenditures when financial resources  
are used in the governmental funds in accordance with  
GASB Interpretation No. 6

Sale of assets is recorded in the governmental funds as  
revenue; only the gain is reported in the statement of  
activities

(8021)

Change in Net Assets of Governmental Activities \$ (102242)

The notes to the financial statements are an integral part of this report.

**CITY OF IRON RIVER**

**STATEMENT OF FUND NET ASSETS  
ENTERPRISE FUNDS**

JUNE 30, 2004

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>RV PARK FUND</u>	<u>TOTAL ENTERPRISE FUNDS</u>
<b><u>ASSETS</u></b>				
<i>Current Assets:</i>				
Cash, unrestricted	\$ 77845	\$ 2824	\$ 7269	\$ 87938
Receivables, net				
Accounts	91261	90878		182139
Grants	0			0
Due from other funds	<u>135193</u>			<u>135193</u>
<i>Total Current Assets</i>	<b>304299</b>	<b>93702</b>	<b>7269</b>	<b>405270</b>
<i>Noncurrent Assets:</i>				
Restricted cash	285613	253556		539169
Capital assets:				
Land		2000	103709	105709
Building and Improvements	679027		97663	776690
Equipment	985411			985411
Infrastructure	10421473	2664718		13086191
Less:				
Allowance for depreciation	<u>(1348028)</u>	<u>(970415)</u>	<u>(80311)</u>	<u>(2398754)</u>
Total capital assets, net	10737883	1696303	121061	12555247
<i>Total Noncurrent Assets</i>	<b>11023496</b>	<b>1949859</b>	<b>121061</b>	<b>13094416</b>
<b>TOTAL ASSETS</b>	<b>11327795</b>	<b>2043561</b>	<b>128330</b>	<b>13499686</b>
<b><u>LIABILITIES</u></b>				
<i>Current Liabilities:</i>				
Accounts payable	173563	3000	0	176563
Other accrued liabilities	5791	2253	285	8329
Due to other funds	86379	125719		212098
Deferred revenues	0			0
Current portion of long-term debt	<u>94000</u>	<u>0</u>		<u>94000</u>
<i>Total Current Liabilities</i>	<b>\$ 359733</b>	<b>\$ 130972</b>	<b>\$ 285</b>	<b>\$ 490990</b>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

STATEMENT OF FUND NET ASSETS  
ENTERPRISE FUNDS  
(CONTINUED)

JUNE 30, 2004

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>RV PARK FUND</u>	<u>TOTAL ENTERPRISE FUNDS</u>
<b><u>LIABILITIES</u> (Continued)</b>				
<i>Noncurrent Liabilities:</i>				
Compensated absences	\$ 0	\$ 0	\$ 0	\$ 0
Revenue bonds payable	6801000			6801000
Other long-term debt				0
<i>Total Noncurrent Liabilities</i>	6801000	0	0	6801000
<b>TOTAL LIABILITIES</b>	7160733	130972	285	7291990
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	3842883	1696303	121061	5660247
Reserved		253556		253556
Unreserved	324179	(37270)	6984	293893
<b>TOTAL NET ASSETS</b>	\$ 4167062	\$ 1912589	\$ 128045	\$ 6207696

The notes to the financial statements are an integral part of this report.

**CITY OF IRON RIVER**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
ENTERPRISE FUNDS**

*FISCAL YEAR ENDED JUNE 30, 2004*

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>RV PARK FUND</u>	<u>TOTAL ENTERPRISE FUNDS</u>
<b>Operating Revenues:</b>				
Charges for Services	\$ 687607	\$ 607659	\$ 37112	\$ 1332378
Equipment Rental	51532			51532
Miscellaneous	<u>1682</u>	<u>10644</u>	<u>3125</u>	<u>15451</u>
<b>Total Operating Revenues</b>	<b>740821</b>	<b>618303</b>	<b>40237</b>	<b>1399361</b>
<b>Operating Expenses:</b>				
Personal Services and Benefits	244538	95096	12057	351691
Contractual Services	43715	396113	4749	444577
Repairs and Maintenance	6574	8458	533	15565
Other Supplies and Expenses	135854	39458	34052	209364
Depreciation	220377	40996	7139	268512
Miscellaneous	<u>9986</u>	<u>5975</u>	<u>143</u>	<u>16104</u>
<b>Total Operating Expenses</b>	<b>661044</b>	<b>586096</b>	<b>58673</b>	<b>1305813</b>
<b>OPERATING INCOME (LOSS)</b>	<b>79777</b>	<b>32207</b>	<b>(18436)</b>	<b>93548</b>
<b>Non-Operating Revenues (Expenses:)</b>				
Federal Grant - Waterline				
Construction	1697100			1697100
Interest Revenue	3014	496	17	3527
Interest Expense	<u>(252508)</u>			<u>(252508)</u>
<b>Total Non-Operating Revenues (Expenses)</b>	<b>1447606</b>	<b>496</b>	<b>17</b>	<b>1448119</b>
<b>CHANGE IN NET ASSETS</b>	<b>1527383</b>	<b>32703</b>	<b>(18419)</b>	<b>1541667</b>
<b>NET ASSETS, Beginning of Year</b>	<b><u>2639679</u></b>	<b><u>1879886</u></b>	<b><u>146464</u></b>	<b><u>4666029</u></b>
<b>NET ASSETS, End of Year</b>	<b>\$ <u>4167062</u></b>	<b>\$ <u>1912589</u></b>	<b>\$ <u>128045</u></b>	<b>\$ <u>6207696</u></b>

The notes to the financial statements are an integral part of this report.

**CITY OF IRON RIVER**

**STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS**

*FISCAL YEAR ENDED JUNE 30, 2004*

<b>CASH FLOWS FROM (USED BY)</b>	<b>WATER SUPPLY FUND</b>	<b>SEWER DISPOSAL SYSTEM FUND</b>	<b>R.V. PARK FUND</b>	<b>TOTAL</b>
<b><u>OPERATING ACTIVITIES</u></b>				
Net cash received from fees and services	\$ 617873	\$ 572305	\$ 37112	\$ 1227290
Other operating revenues	108342	26825	3125	138292
Cash payments to employees for services	(238747)	(92843)	(12057)	(343647)
Cash payments for goods and services	(30989)	(451551)	(39192)	(521732)
Other operating expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>456479</b>	<b>54736</b>	<b>(11012)</b>	<b>500203</b>
<b><u>NON-CAPITAL AND FINANCING ACTIVITIES</u></b>				
Increase (decrease) in due to other funds	64186	0	0	64186
(Increase) decrease in due from other funds	(113000)	125719	0	12719
Net operating transfers in (out)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES</b>	<b>(48814)</b>	<b>125719</b>	<b>0</b>	<b>76905</b>
<b><u>CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>				
Acquisition and construction of capital assets	(1915555)	0	0	(1915555)
Principal payment on long-term bonds	(92000)	0	0	(92000)
Interest paid on long-term bonds	(252508)	0	0	(252508)
Interest and tax expense	0	0	0	0
Proceeds from borrowing	21000	0	0	21000
Cost of Issuance - Bonds	0	0	0	0
Contributed capital grants	1697100	0	0	1697100
Other Grants	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(541963)</b>	<b>0</b>	<b>0</b>	<b>(541963)</b>
<b><u>INVESTING ACTIVITIES</u></b>				
Interest Income	<u>3014</u>	<u>496</u>	<u>17</u>	<u>3527</u>
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>\$ 3014</b>	<b>\$ 496</b>	<b>\$ 17</b>	<b>\$ 3527</b>

The notes to the financial statements are an integral part of this report.

**CITY OF IRON RIVER**

**STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2004

	<u>WATER SUPPLY FUND</u>	<u>SEWER DISPOSAL SYSTEM FUND</u>	<u>R.V. PARK FUND</u>	<u>TOTAL</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(131284)	180951	(10995)	38672
Cash and Cash Equivalents, Beginning of Year	<u>494742</u>	<u>75429</u>	<u>18264</u>	<u>588435</u>
Cash and Cash Equivalents, End of Year	\$ 363458	\$ 256380	\$ 7269	\$ 627107
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
Operating Income (Loss)	\$ 79777	\$ 32207	\$ (18436)	\$ 93548
Adjustment to reconcile income to net cash provided by operating activities:				
. Depreciation	220377	40996	7139	268512
. Provision for uncollectible accounts	0	0	0	0
. Changes in assets and liabilities:				
(Increase) Decrease in accounts receivable	(14606)	(19173)	0	(33779)
Increase (Decrease) in accounts payable	170931	706	285	171922
Increase (Decrease) in deferred revenue	0	0		0
Increase (Decrease) in customer deposits	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
NET ADJUSTMENTS	376702	22529	7424	406655
<b>NET CASH FROM OPERATING ACTIVITIES</b>	\$ <u>456479</u>	\$ <u>54736</u>	\$ <u>(11012)</u>	\$ <u>500203</u>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2004

	PRIVATE-PURPOSE TRUST FUND
<u>ADDITIONS</u>	
Contributions from the City of Iron River	\$ 31403
Investment Earnings	<u>629</u>
TOTAL ADDITIONS	32032
<u>DEDUCTIONS</u>	
Employee sick leave benefits paid	<u>29712</u>
TOTAL DEDUCTIONS	29712
CHANGE IN NET ASSETS	2320
NET ASSETS - Beginning of Year	<u>45550</u>
NET ASSETS - End of Year	\$ <u><u>47870</u></u>

The notes to the financial statements are an integral part of this report.

**CITY OF IRON RIVER**

**STATEMENT OF NET ASSETS  
COMPONENT UNITS**

JUNE 30, 2004

	<u>DOWNTOWN DEVELOPMENT AUTHORITY</u>	<u>TAX INCREMENT FINANCIAL AUTHORITY</u>	<u>TOTAL</u>
<b><u>ASSETS</u></b>			
Current Assets:			
Cash and Cash Equivalents	\$ 7533	\$ 70255	\$ 77788
Receivables:			
Accounts	0	0	0
Taxes	<u>2216</u>	<u>0</u>	<u>2216</u>
Total Current Assets	9749	70255	80004
Noncurrent Assets:			
Capital assets	0	0	0
Less:			
Accumulated depreciation	<u>0</u>	<u>0</u>	<u>0</u>
Total Noncurrent Assets	0	0	0
<b>TOTAL ASSETS</b>	<b>9749</b>	<b>70255</b>	<b>80004</b>
<b><u>LIABILITIES</u></b>			
Current Liabilities			
Accounts Payable	749	1355	2104
Accrued Employee Benefits	<u>0</u>	<u>574</u>	<u>574</u>
Total Current Liabilities	749	1929	2678
<b>TOTAL LIABILITIES</b>	<b>749</b>	<b>1929</b>	<b>2678</b>
<b><u>NET ASSETS</u></b>			
Unreserved and Undesignated	<u>9000</u>	<u>68326</u>	<u>77326</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u>9000</u></b>	<b>\$ <u>68326</u></b>	<b>\$ <u>77326</u></b>

The notes to the financial statements are an integral part of this report.



**NOTES TO THE FINANCIAL  
STATEMENTS**

**CITY OF IRON RIVER**

**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2004*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting methods and procedures adopted by the City of Iron River, Iron River, Michigan, conform to generally accepted accounting principles as applicable to governmental entities. The following is a summary of the more significant policies:

**THE FINANCIAL REPORTING ENTITY**

The City of Iron River was organized and began operations on July 01, 2000 as a result of the consolidation of three municipalities - the Cities of Iron River and Stambaugh and the Village of Mineral Hills. As a result of the consolidation, all assets, liabilities, and fund equities for all funds of the respective governmental units were combined to form the opening account balances of the new City. Any reservations or restrictions in the funds of the combining municipalities were also reserved or restricted in the new City of Iron River. The City of Iron River covers an area of approximately 10.125 square miles, operates under a city manager and an elected board of five councilmen and provides services to its approximately 3,614 residents, including police and fire protection, parks and recreation, waste collection and general administrative services.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

In addition, the City owns and operates a water and sewer system and an RV Park as enterprise activities. In accordance with the provisions of GASB 14, certain other governmental organizations are considered to be part of the City entity for financial reporting purposes. The criteria established by GASB 14 for determining the various governmental organizations to be included in the reporting entity's financial statements include separation of electing governing body and legal status, and fiscal independence. On this basis, the financial statements of the Tax Incremental Financing Authority and the Downtown Development Authority are included in the financial statements of the City as discretely presented component units.

Downtown Development Authority/Tax Increment Financing Authority

On November 21, 1979, the City Commission of the City of Iron River adopted an ordinance to establish the downtown development authority and to designate the boundaries of the downtown district.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

Downtown Development Authority/Tax  
Increment Financing Authority (Continued)  
The Downtown Development Authority  
Development Plan and Tax Increment  
Financing Plan were prepared pursuant to  
the provisions of Act No. 197 of the  
Michigan Public Acts of 1975, as amended,  
MCLA § 125.1651 et. seq. (the "Act").

The Act was enacted to provide a means for  
local units of government to correct and  
prevent deterioration in business  
districts; to encourage historic  
preservation; to authorize the acquisition  
and disposal of interests in real and  
personal property; to authorize the  
creation and implementation of development  
plans in the districts; to promote the  
economic growth of the districts; to create  
a board; to prescribe its powers and  
duties; to authorize the levy and  
collection of taxes; to authorize the  
issuance of bonds and other evidences of  
indebtedness; and to authorize the use of  
tax increment financing.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

Downtown Development Authority/Tax  
Increment Financing Authority (Continued)

Tax increment financing is a government financing program which contributes to economic growth and development to facilities, structures or improvements within a development area, thereby facilitating economic growth and development. Tax increment financing mandates the transfer of tax increment revenues by municipal and county treasurers to authorities created under the Act in order to effectuate the legislative government programs to eliminate property value deterioration and to promote economic growth. (MCLA 125.1651a.)

The Act seeks to accomplish its goals by providing local units of government with the necessary legal, monetary and organizational tools to eliminate property value deterioration and to promote economic growth through publicly initiated projects undertaken cooperatively with privately initiated projects.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

Downtown Development Authority/Tax  
Increment Financing Authority (Continued)

The Development Plan and Tax Increment Financing Plan have been developed in accordance with the purposes of the Act based on the problems and priorities as perceived by the Downtown Development Authority of the City of Iron River and has been submitted to the City Commission of the City of Iron River for its approval.

BLENDED COMPONENT UNITS

A blended component unit is a legally separate entity from the local unit, but it is so intertwined with the unit that it is, in substance, the same as the local governmental unit.

A basic strategy of GASB 14 is to present financial information for component units separately from the financial information for the primary government. This is achieved through the discrete presentation method.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

BLENDED COMPONENT UNITS (Continued)

However, in the case of blended component units, GASB believes that it would be more appropriate to use the blending method to incorporate the financial information of a component unit into the reporting entity's financial statements. When the blending method is used, transactions and balances of a component unit are merged with similar transactions and balances of the primary government so that there is no way to identify which balances relate to the component unit and which relate to the primary government.

The City of Iron River and the City of Stambaugh Building Authorities are blended as part of the primary government because their sole purpose is to finance and construct the City's public buildings.

City of Iron River Building Authority

The City of Iron River Building Authority was created by the City and organized as a separate legal entity.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

BLENDED COMPONENT UNITS (Continued)

City of Iron River Building Authority  
(Continued)

The Articles of Incorporation were adopted by the City Commission of the City of Iron River on November 9, 1993 for the purpose of forming a nonprofit municipal Building Authority under the provisions of Act 31, Public Acts of Michigan, 1948.

The Authority was incorporated for the purpose of acquiring, furnishing, equipping, owning, improving, enlarging, operating, and maintaining a building or buildings, automobile parking lots or structures, recreational facilities, and the necessary site or sites therefore, together with appurtenant properties and facilities necessary or convenient for the effective use thereof, for use of any legitimate public purpose of the City of Iron River.



CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

BLENDED COMPONENT UNITS (Continued)

City of Iron River Building Authority  
(Continued)

The Authority is governed by a Board of Commissioners, each to be elected by the City Commission of the City of Iron River, except that no member of the legislative body of the City of Iron River shall be eligible for membership or appointment to this Authority.

The Authority approved a resolution on October 11, 1995 to issue bonds in the aggregate principal sum of \$ 320,000 in anticipation of the commitments of the City under the Contract to finance the renovation in the City Hall to comply with the Americans with Disabilities Act, all as set out in a certain Full Faith and Credit General Obligation Contract of Lease between the City and the Authority.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

BLENDED COMPONENT UNITS (Continued)

City of Iron River Building Authority  
(Continued)

The 1995 Building Authority Bond consists of one single fully registered non-convertible bond of the denomination of \$320,000, payable in principal installments on November 01 of each year.

The serial principal installments bear interest at the rate of not to exceed 5.125% per annum, payable on the first day of May and November of each year. The first principal installment of \$ 5000, along with accrued interest, was due on November 01, 1996.

City of Stambaugh Building Authority

The Stambaugh Building Authority was created by the former City of Stambaugh and organized as a separate legal entity.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

BLENDED COMPONENT UNITS (Continued)

City of Stambaugh Building Authority  
(Continued)

The Articles of Incorporation were adopted by the City Commission of the former City of Stambaugh on April 07, 1993 for the purpose of forming a nonprofit municipal building authority under the provisions of Act 31, Public Acts of Michigan, 1948.

The Authority was incorporated for the purpose of acquiring, furnishing, equipping, owning, improving, enlarging, operating, and maintaining a building or buildings, automobile parking lots or structures for use of any legitimate public purpose of the City.

The Authority is governed by a Board of three members elected by the City Commission, except that no member of the legislative body of the City shall be eligible for membership or appointment to this Authority.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

BLENDED COMPONENT UNITS (Continued)

City of Stambaugh Building Authority  
(Continued)

The Authority entered into an agreement through Michigan Municipal Bond Authority's State Revenue Sharing Pledge Program to borrow \$ 205,000. The Authority used the proceeds from general obligation limited tax bonds to finance the construction of a Department of Public Works facility for the City. The bonds are secured by a lease agreement with the City and will be retired through lease payments from the City.

JOINT VENTURES

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

JOINT VENTURES (Continued)

An ongoing financial responsibility is determined as a participating government's obligation in some manner for debts or the joint venture's existence depends on continued funding by the participating government.

West Iron County Sewer Authority

The City of Iron River has entered into an agreement with several governmental entities to form the West Iron County Sewer Authority.

The Authority was established in August 1972 under the provisions of Act 233, Public Acts of Michigan, 1955, as amended, and was organized to provide sewer service to the cities of Iron River, Caspian, Gaastra, and a portion of Iron River Township. The first grant applications were filed in 1982.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

JOINT VENTURES (Continued)

West Iron County Sewer Authority  
(Continued)

Members from each participating municipality are appointed by their respective governmental entities to serve on the Board of Trustees of the West Iron County Sewer Authority.

Pursuant to the terms of the Authority's Sewer Use Ordinance adopted by the Authority and each Constituent Municipality, the Authority bills each Constituent Municipality monthly based on such Constituent Municipality's percentage of Equal Dwelling Units ("EDUs") to the total member of EDUs for the entire system.

Billing to end users is done by each Constituent Municipality using its own billing system and methodology.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

JOINT VENTURES (Continued)

West Iron County Sewer Authority  
(Continued)

Under the EDU system, the Authority adopts a preliminary budget in April of each year for its next fiscal year beginning the following July 01.

This preliminary budget is presented to each Constituent Municipality for review and consideration in its budgeting process. Prior to adopting its final budget in June of each year for the fiscal year beginning the following July 1, the Authority holds a public hearing with respect to the preliminary budget.

The preliminary and final budgets calculated EDU charges to cover both operation, maintenance, and replacement ("OMR") expenses and debt retirement expenses.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

JOINT VENTURES (Continued)

West Iron County Sewer Authority  
(Continued)

Included in OMR charges are funds for future replacements of all major plant equipment.

During the fiscal year ended June 30, 2004, the City of Iron River paid to the Authority fees totalling \$ 356,589 for OMR and debt retirement.

Financial statements for the West Iron County Sewer Authority can be requested by writing to:

West Iron County Sewer Authority  
P.O. Box 246  
Caspian, Michigan 49915



**CITY OF IRON RIVER**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2004*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**THE FINANCIAL REPORTING ENTITY (Continued)**

**JOINTLY GOVERNED ORGANIZATIONS**

A jointly governed organization is a multigovernmental arrangement that is governed by representatives from each of the governments that create the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility.

**West Iron County Fire Board**

The West Iron County Fire Board was organized in 1987 and provides fire protection for Iron River, Bates and Stambaugh Townships, and the City of Iron River, Iron County, Michigan. The Board operates under an appointed Board of Commissioners (9 people) and provides fire protection services to more than 4500 residents.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

JOINTLY GOVERNED ORGANIZATIONS (Continued)

West Iron County Fire Board (Continued)

The Board is funded by assessments from the participating municipalities. Financial statements are available by writing to the West Iron County Fire Board at:

West Iron County Fire Board  
P.O. Box 203  
Iron River, Michigan 49935

West Iron County Volunteer Fire Department

The West Iron County Volunteer Fire Department was organized in 1987 and consists of volunteer fire fighters from the City of Iron River and the townships of Bates, Iron River, and Stambaugh. The purpose of the organization is to preserve and protect all life and property as declared by the West Iron County Fire Board.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

JOINTLY GOVERNED ORGANIZATIONS (Continued)

West Iron County Volunteer Fire Department  
(Continued)

The officers, elected by a plurality of votes of members present at the annual meeting consist of a Chief, Assistant Chief, First Captain, Second Captain, Training Officer, and Secretary/Treasurer.

Complete financial statements of the West Iron County Volunteer Fire Department can be obtained from:

West Iron County Volunteer Fire Department  
640 9th Street  
Iron River, Michigan 49935

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

RELATED ORGANIZATIONS

A related organization is an organization for which a primary government is not financially accountable (because it does not impose will or have a financial benefit or burden relations) even though the primary government appoints a voting majority of the organization's governing board.

Iron River Housing Commission

The Iron River Housing Commission ("The Authority") is a non-profit corporation which was organized under the laws of the State of Michigan to provide Low-Rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal Agencies.

The Mayor of Iron River appoints the five member Board of Commissioners for five year terms.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

RELATED ORGANIZATIONS (Continued)

Iron River Housing Commission (Continued)

The Board sets policy of the Authority and hires the Executive Director who hires and directs the Authority's staff.

The Authority is not a department of the City of Iron River. However, the Authority cooperates closely with the City in carrying out housing programs within the Iron River area.

The basis of the Authority's relationship with the City is a cooperative agreement, which calls for the City to provide support services (police, fire, etc.) to the Authority's developments. In exchange, the Authority makes voluntary payments in lieu of taxes (PILOT) to the City of Iron River.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

RELATED ORGANIZATIONS (Continued)

Iron River Housing Commission (Continued)  
Financial statements can be obtained by  
writing to:

Iron River Housing Commission  
236 Third Avenue  
Iron River, Michigan 49935

Stambaugh Housing Commission

The Stambaugh Housing Commission was formed in 1968 under the criteria established for low income housing programs by the United States Department of Housing and Urban Development.

The Commission operates under a board of commissioners appointed by the City Council.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

RELATED ORGANIZATIONS (Continued)

Stambaugh Housing Commission (Continued)  
Financial statements can be requested by  
writing to:

Stambaugh Housing Commission  
208 Jefferson Avenue  
Iron River, Michigan 49935

BASIS OF PRESENTATION

The City follows GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB Statement No. 34 adds the following components to the financial statements:

Management's Discussion and Analysis

A narrative introduction and analytical overview of the government's financial activities. This analysis is similar to analysis the private sector provides in their annual reports.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

*Government-wide financial statements*

These include financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter. The government-wide statements include the Statement Net Assets and the Statement of Program Activities.

*Statement of Net Assets*

The Statement of Net Assets displays the financial position of the primary government (government and business-type activities) and its discretely presented component units.



CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

*Statement of Net Assets (Continued)*

Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government are broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

*Statement of Program Activities*

The statement of activities reports expenses and revenues in a format that focuses on the cost of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

*Budgetary comparison schedules*

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The City and many other governments revise their original budgets over the course of the year for a variety of reasons.

As required by accounting principles generally accepted in the United States of America, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

*Budgetary comparison schedules*(Continued)  
Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The discretely presented component units are reported in a separate column in the government-wide statements to emphasize they are legally separate from the primary government. Each discretely presented component unit has a June 30 fiscal year-end.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The reporting model focus is on both the City as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds, (by category) and the component units.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL  
STATEMENTS (Continued)

Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Both governmental-wide and fund financial statements presentations provide valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the financial information. The City generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL  
STATEMENTS (Continued)

The City may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL  
STATEMENTS (Continued)

The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The City does not allocate indirect expenses. The operating grants and contributions column includes operating-specific and discretionary (either operating or capital) grants while the capital grants and contributions column reflects capital-specific grants.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL  
STATEMENTS (Continued)

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements.

The City's fiduciary funds are presented in the fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL  
STATEMENTS (Continued)

The following is a brief description of the specific funds used by the City.

GOVERNMENTAL FUNDS

These funds are those through which most governmental functions typically are financed.

The acquisition, use, and balances of the City's expendable financial resources and the related current liabilities, except those accounted for in the Proprietary Fund, are accounted for through the Governmental Funds. These funds are as follows:

General Fund

This fund is used for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit.



CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENTAL FUNDS (Continued)

General Fund (Continued)

Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. The City's Major & Local Street Funds are Special Revenue Funds. The Special Revenue Fund is considered a major fund for reporting purposes.

Debt Service Fund

This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENTAL FUNDS

Debt Service Fund (Continued)

The Iron River and Stambaugh Building Authorities have been included as Debt Service Fund types. The governmental funds use the modified accrual basis of accounting.

Capital Projects Fund

These funds are used to account for the purchase and/or construction of capital facilities by a governmental unit which are not accounted for by Proprietary Funds, Special Assessment Funds, or Trust Funds. The various resources of the governmental unit to be used in the projects, such as General Fund contributions, grants from other units of government and bond proceeds, flow into the Capital Project Fund. Expenditures incurred in the development of the facility are also recorded within the Capital Project Fund.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

PROPRIETARY FUNDS

Enterprise Funds

These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises----where the intent of the governing body is that the costs (expenses including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose. The Water Fund, Sewer Fund, and RV Park Fund are Proprietary Funds.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

FIDUCIARY FUNDS (Continued)

Trust and Agency Funds are used to account for assets held by the City in a trustee capacity for individuals, private organizations, other governmental units, and/or other funds.

The City's Current Tax Collection Fund, the Sick Leave Fund, and the Employee Trust Fund are Fiduciary Funds. Agency funds are custodial in nature and do not involve measurement of results of operations.

Accounting for Expendable Trust funds parallels accounting for governmental funds (modified accrual basis/approximate flow of current financial resources). Pension Trust Funds and Nonexpendable Trust Funds are accounted for in a manner similar to proprietary funds (accrual basis/flow of economic resources).

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current liabilities generally are included on the balance sheet in the funds statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide statement of net assets and statement of activities, all proprietary funds, and private trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the statement of net assets or on the statement of fiduciary net assets. Proprietary fund-type operating statements present increase (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The statement of net assets, statement of activities, financial statement of Proprietary Fund and Fiduciary Funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

The fund financial statements of the General, Special Revenue, Debt Service, and Capital Projects funds are maintained and reported on the modified basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term "available" is limited to collection within forty-five days of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants revenue is considered to be measurable and available as revenue when related eligible expenditures are incurred.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

The local government unit applies all GASB pronouncements as well as the FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed for accountability purposes only.



CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

ENCUMBRANCES

It is the City's policy to honor all unfilled contracts/orders at year-end, but the authority to complete these transactions is provided by the new year's budget appropriations, as unexpended appropriations of the current year lapse at year-end.

CASH AND CASH EQUIVALENTS

The City pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

The City classifies cash on hand, cash on deposit (including certificates of deposit), and highly liquid investments with an original maturity of ninety days or less when purchased as cash in its financial statements.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

INVENTORIES

Inventories of supplies are expended as received.

RECEIVABLES

Accounts which will be collected within sixty days of year-end are accrued as accounts receivable in the General and Special Revenue Funds. User charges for the Proprietary Fund are recorded as receivable when billed. On an annual basis the charges are reviewed for collectibility. Those deemed uncollectible are assigned to the tax roll.

INTEREST RECEIVABLE

Interest on certificates of deposit is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

DUE TO/FROM OTHER FUNDS

Transactions between funds that had not been paid or received as of fiscal year end have been recorded as interfund accounts receivable and payable in the financial statements. These interfund receivables and payables do not represent Board-approved loans between funds.

DEFERRED REVENUE

Deferred revenue represents amounts under the modified accrual basis of accounting for which asset recognition criteria have been met but for which revenue recognition criteria have not been met, whereby such amounts are measurable but not considered currently available resources.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

FUND EQUITY

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances represent the amount that has been legally identified for specific purposes. Designated fund balances represent amounts earmarked by the City for future expenditures.

Unreserved retained earnings represent net assets available for future operations or distribution. Reserved retained earnings represent net assets that have been legally identified for specific purposes. Designated retained earnings represent amounts earmarked by the City for future expenditures.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

BUDGETS AND BUDGETARY ACCOUNTING

The City follows the State of Michigan Uniform Budgeting and Accounting Act for budgeting procedures. Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. Although no longer required, the City adopts budgets for the Capital Projects and Debt Retirement Funds as well. Unexpended appropriations lapse at fiscal year-end.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to June 30 of the preceding fiscal year, the City prepares a budget for the next fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

BUDGETS AND BUDGETARY ACCOUNTING  
(Continued)

2. A meeting of the City Council is then called for the purpose of adopting the proposed budget after sufficient public notice of the meeting has been given.
3. Prior to July 1, the budget is legally enacted through passage of a resolution by the members of the City Council.

Once the budget is approved, it can be amended at the Function and Fund level only by approval of a majority of the members of the City Council. Amendments are presented to the Council at their regular meetings. Each amendment must have Council approval.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

PROPERTY TAX

Property taxes are levied on December 31 and payable in two installments July 01 and December 01.

The City bills and collects its own property taxes and also collects taxes for the school district and County. Collections for the schools and county are accounted for in the Trust and Agency Fund. City property tax revenues are recognized when levied to the extent they are receivable. The County of Iron purchases from the City the delinquent real property taxes outstanding as of March 31 of each year. The 2003 Taxable Valuation of the City was \$ 45,157,574, on which was levied 19.8362 mills for general operation of the City. In addition, the City collects a 1% administration fee on all taxes collected.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

PROPERTY TAX (Continued)

The Board further established penalties on all taxes collected on or before August 01, pursuant to the following schedule:

1% penalty if taxes are paid on August 01 through August 30; an additional 1% penalty on all taxes paid on September 01 through February 28.

NON-MONETARY TRANSACTIONS

The Single Audit Act of 1984, as amended, and OMB Circular A-133 defines federal financial assistance to include both monetary and non-monetary forms of assistance provided by or passed down from a federal agency, such as grants, contracts, loans, loan guarantees, property, etc.



CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CAPITAL ASSETS

Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the governmental-wide statements to the extent the City's capitalization threshold of \$ 1,000 is met. Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings.....	20 - 30 years
Infrastructure.....	10 - 65 years
Furniture and Other Equipment.....	5 - 20 years

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CAPITAL ASSETS (Continued)

To the extent the City's capitalization threshold of \$ 1,000 is met, capital outlays of the Proprietary Funds are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the governmental-wide basis using the straight-line method and the following estimated useful lives:

Land Improvements..... 20 years  
Equipment..... 5 - 20 years

All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CAPITAL ASSETS (Continued)

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

COMPENSATED ABSENCES

The agreement between the City of Iron River and the City of Iron River Employees' Chapter of Local #1424, Affiliated with Michigan Council #25 AFSCME, AFL-CIO provides for the following benefits:

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

COMPENSATED ABSENCES (Continued)

Sick Leave

Sick leave with pay shall be granted the employees on the following basis: Each employee shall earn (1) day of paid sick leave for each month of continuous service, which sick leave may be accumulated up to a total of two hundred (200) days.

One half of the accumulated sick leave, plus the related costs of FICA, Medicare, and retirement, will be payable at termination.

As of June 30, calculated at the current rates of pay, employees of the City have accumulated sick leave benefits in the amount of \$ 167,201. At 50% payout, the City's liability for accumulated sick leave, plus the related costs of FICA, Medicare, and retirement is \$ 95,740.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

COMPENSATED ABSENCES (Continued)

Sick Leave (Continued)

The City has policy to fund one-half the sick leave liability and has established a Sick Leave Fund within the Trust and Agency Fund for this purpose.

The funding level required to meet this obligation at June 30, 2004 is \$ 47,870. The City has met this funding obligation as of June 30.

Vacation

Employees earn vacation benefits on a graduated scale based upon years of continuous service. Vacation time cannot be accumulated from one year to another, and if not taken by the employment anniversary date, is lost.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

COMPENSATED ABSENCES (Continued)

Vacation (Continued)

As of June 30, 2004, calculated at the current rates of pay, the City's liability for accrued vacation plus the related costs of FICA and Medicare is \$ 39,578.

POST EMPLOYEE BENEFITS

The City of Iron River, as stated in the agreement between the City of Iron River and the City of Iron River employees' Chapter of Local #1424, affiliated with the Michigan Council #25 AFSCME, AFL-CIO, will pay two-thirds of the insurance premium for Blue Cross/Blue Shield Hospital and Medical Insurance for the employee only, after he/she retires, from the age of sixty-two and through the age of sixty-five.

CITY OF IRON RIVER

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - INTERFUND ACTIVITIES

INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables do not represent interfund borrowings; instead, they represent actual amounts which are pending between funds at year-end due to the timing of cash flows. Generally, these amounts clear shortly after year-end when resources become available.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE B - INTERFUND ACTIVITIES (CONTINUED)

The amounts of the interfund receivables and payables as of June 30, 2004 were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 77930	\$ 31448
Sick Leave Fund	31403	0
Major Street Fund	0	1002
Water Fund	113000	86379
Water Construction Fund	22193	0
Sewer Fund	0	125719
Trust and Agency Fund	0	23
Employee Trust Fund	45	0
<b>Totals</b>	<b>\$ 244571</b>	<b>\$ 244571</b>



CITY OF IRON RIVER
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NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE B - INTERFUND ACTIVITIES (CONTINUED)

OPERATING TRANSFERS

Interfund transfers are the result of legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended.

During the fiscal year ended June 30, 2004, the City authorized the following transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 0	\$ 127542
Debt Service	88729	0
Capital Projects	7410	0
Sick Leave Fund	<u>31403</u>	<u>0</u>
Totals	\$ <u>127542</u>	\$ <u>127542</u>

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE B - INTERFUND ACTIVITIES (CONTINUED)

OTHER FINANCING SOURCES (USES)

The transfers of cash between the various City funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

NOTE C - CASH, DEPOSITS, AND INVESTMENTS

As a result of the consolidation of the Cities of Iron River and Stambaugh, and the Village of Mineral Hills, all restrictions in the use of funds of the respective cities and village are also restricted in the new City of Iron River.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS

STAMBAUGH WATER SYSTEM REVENUE BONDS

The bonding ordinance for the Water System Revenue Bonds of the former City of Stambaugh, requires certain cash balances be reserved for bond repayment.

Bond and Interest Redemption Fund

Each quarter of the fiscal year, revenues must be transferred to the Bond and Interest Redemption Fund before any other expenditures or transfers. Sufficient amounts must be set aside to pay for the principal and interest payments accruing on the bonds.

The City was in compliance with this requirement.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STAMBAUGH WATER SYSTEM REVENUE BONDS  
(Continued)

Reserve Account

A reserve account for Bond and Interest Redemption is to be funded in the amount of \$ 1,000 per month, beginning on July 01, 1999, until there is accumulated the sum of \$ 120,000. No further deposits need be made thereafter.

Monies in the reserve account shall be used solely for payment of principal installments and interest on the bonds as to which there would otherwise be default.

On June 30, the City was required to have a balance of \$ 60,000 in the Reserve Account. The actual June 30, 2004 balance was \$ 62,847.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STAMBAUGH WATER SYSTEM REVENUE BONDS  
(Continued)

Repair, Replacement, and Improvement Fund  
The bonding ordinance requires the establishment of a Repair, Replacement, and Improvement Fund to be used for the purpose of paying the cost of (a) repairing any damage to and emergency maintenance of the System, (b) repairing or replacing obsolete, deteriorating, deteriorated or worn out portions of the System, (c) acquiring and constructing extensions and improvements to the System, and, when necessary, for the purpose of making payments of principal and interest on the First Series Bond.

If the amount in the Bond and Interest Redemption Fund and the Bond Reserve Account is not sufficient to pay the principal and interest on the Bonds when due, the moneys in the RRI Fund shall be transferred to the Bond and Interest Redemption Fund and used for that purpose.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STAMBAUGH WATER SYSTEM REVENUE BONDS  
(Continued)

Repair, Replacement, and Improvement Fund  
(Continued)

Beginning July 01, 1999, the City was required to deposit into the RRI fund an annual amount not less than \$22,000 less the amount, if any, deposited in the Bond Reserve Account at the beginning of the same Fiscal Year month.

As of June 30, 2004, the City was in compliance with the above funding requirements with a balance of \$ 52,282.

CITY OF IRON RIVER 2001 WATER SUPPLY SYSTEM REVENUE BOND

The bonding ordinance for the City of Iron River 2001 Water Supply System Revenue Bond requires certain cash balances be reserved, as follows:

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

CITY OF IRON RIVER 2001 WATER SUPPLY SYSTEM  
REVENUE BOND (Continued)

Bond and Interest Redemption Fund

Each quarter of the fiscal year, revenues must be transferred to the Bond and Interest Redemption Fund before any other expenditures or transfers. Sufficient amounts must be set aside to pay for the principal and interest payments on the bonds.

On June 30, the City was in compliance with this requirement.

Reserve Account

A reserve account for Bond and Interest Redemption is to be funded in the amount of \$ 5750 per quarter, beginning on July 01, 2001, until there is accumulated the sum of \$ 230,000. No further deposits need be made thereafter.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

CITY OF IRON RIVER 2001 WATER SUPPLY SYSTEM  
REVENUE BOND (Continued)

Reserve Account (Continued)

Monies in the reserve account shall be used solely for payment of principal installments and interest on the bonds as to which there would otherwise be default.

The required balance on June 30, 2004 was \$ 69,000. The actual balance was \$ 69,932.

Repair, Replacement, and Improvement Fund

The bonding ordinance requires the establishment of a Repair, Replacement, and Improvement Fund to be used for the purpose of paying the cost of (a) repairing any damage to and emergency maintenance of the System, (b) repairing or replacing obsolete, deteriorating, deteriorated or worn out portions of the system, (c) acquiring and constructing extensions and improvements to the System, and, when necessary, for the purpose of making payments of principal and interest on the Bond.



CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

CITY OF IRON RIVER 2001 WATER SUPPLY SYSTEM  
REVENUE BOND (Continued)

Repair, Replacement, and Improvement Fund  
(Continued)

If the amount in the Bond and Interest Redemption Fund and Bond Reserve Account is not sufficient to pay the principal and interest on the Bonds when due, the moneys in the RRI Fund shall be transferred to the Bond and Interest Redemption Fund and used for that purpose.

Beginning July 01, 2001, the City was required to deposit into the RRI fund a quarterly amount not less than \$9500 less the amount, if any, deposited in the Bond Reserve Account at the beginning of the same Fiscal Year quarter.

As of June 30, 2004, the City was in compliance with the above funding requirements, with a balance of \$ 45,608.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

RESTRICTED CASH - SEWER FUND

As a result of an administrative consent order between the City of Iron River and the State of Michigan Department of Environmental Quality, the City was required, no later than July 01, 2002, to raise average residential sewer rates per household to generate a minimum of \$ 227,100 annually. This amount is required to be set aside as an escrow account, established by the City, for future improvements on the wastewater collection system, including engineering expenses. The amount to be collected annually must be adjusted for inflation on July 01 every year, using the American City and County Construction Cost Index determination of average annual inflation.

The required balance of this account on June 30, 2004, was \$ 223,836. The actual balance was \$ 226,164.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

PRIMARY GOVERNMENT

On June 30, 2004, the carrying value of the City's deposits (Primary Government) was \$ 1,793,382 and is comprised of cash and deposits reflected in the following funds.

<i>Governmental Funds</i>	
General Fund	\$ 504543
Major Street Fund	378217
Local Street Fund	212641
Debt Service	6621
Building Authority	3723
Capital Projects (Equipment) Fund	<u>43899</u>
 <i>Total Governmental Funds</i>	 \$ 1149644

(Continued on page 105)

CITY OF IRON RIVER
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NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

PRIMARY GOVERNMENT (Continued)

(Continued from previous page)

<i>Enterprise Funds</i>		
Water Fund	\$	363458
Sewer Fund		256380
RV Park Fund		<u>7269</u>
<i>Total Enterprise Funds</i>	\$	627107
<i>Fiduciary Funds</i>		
Tax Collection Fund	\$	23
Sick Leave Fund		16467
Employee Trust Fund		<u>141</u>
<i>Total Fiduciary Funds</i>	\$	16631
<b>Total Primary Government</b>	<b>\$</b>	<b>1793382</b>

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the local unit's cash deposits classifies cash according to three levels of risk.

The three levels of risk are as follows:

Category 1      Deposits which are insured or collateralized with securities held by the City or by its agent in the City's name.

Category 2      Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

CITY OF IRON RIVER
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NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

Category 3            Deposits which are not  
                         collateralized or  
                         insured.

Based on these levels of risk, the City's  
cash deposits (Primary Government) are  
classified as follows:

SCHEDULE OF CASH AND DEPOSITS

PRIMARY GOVERNMENT

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Totals</u>
Cash and Deposits	\$ 260459	\$ -0-	\$ 1532923	\$ 1793382

CITY OF IRON RIVER
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NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

SCHEDULE OF CASH AND DEPOSITS (Continued)

COMPONENT UNITS

On June 30, 2004, the carrying value of the Component Unit's deposits was \$ 77,788 and is comprised of cash and deposits reflected as follows:

Downtown Development Authority	\$	7533
Tax Increment Financing		<u>70255</u>
Total Component Units	\$	77788

Based on the levels of risk, the Component Unit's cash and deposits are classified as follows:

CITY OF IRON RIVER
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NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

SCHEDULE OF CASH AND DEPOSITS (Continued)

<u>Component Units</u>	<u>Category</u> <u>1</u>	<u>Category</u> <u>2</u>	<u>Category</u> <u>3</u>	<u>Totals</u>
Cash and Deposits	\$ -0-	\$ -0-	\$ 77788	\$ 77788

INVESTMENTS

The City's investments are categorized below to give an indication of the level of risk assumed at year end. **Category 1** includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name.



CITY OF IRON RIVER
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NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

INVESTMENTS (Continued)

Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's safekeeping department or agent in the City's name. Category 3 includes uninsured and registered investments for which the securities are held by the broker or dealer, or by its safekeeping department or agent, but not in the City's name.

Neither the City nor the Component Units have investments, as reflected below:

<u>Investment Type</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Value</u>	<u>Market Value</u>
	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Total Investments	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY

Act 196, PA 1997, authorizes the City to deposit and invest in:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution eligible to be a depository of funds belonging to the State of Michigan under a law or rule of this state or the United States.
3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY (Continued)

4. Repurchase agreements consisting of instruments issued by the United States or an agency or instrumentality of the United States.
5. Bankers acceptances of United States banks.
6. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY (Continued)

7. Mutual funds registered under the Investment Act of 1950 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

The City has adopted an investment policy, allowing for all types of deposits and investments listed above. The City's deposits and investments are in compliance with its investment policy.

NOTE D - PENSION PLAN

DESCRIPTION OF PLAN AND PLAN ASSETS

The City of Iron River is an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS).

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE D - PENSION PLAN (CONTINUED)

DESCRIPTION OF PLAN AND PLAN ASSETS  
(Continued)

The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and postretirement adjustments to plan members and their beneficiaries.

The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final average compensation (FAC) with a maximum benefit of 80 percent of FAC. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2003.

MERS was organized pursuant to Section 12a of Act#156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a), as amended, State of Michigan.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE D - PENSION PLAN (CONTINUED)

DESCRIPTION OF PLAN AND PLAN ASSETS  
(Continued)

MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system.

That report may be obtained by writing to:

MERS  
447 North Canal Street  
Lansing, Michigan 48917-9755

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE D - PENSION PLAN (CONTINUED)

FUNDING POLICY

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City of Iron River's competitive bargaining unit and personnel policy, which does not require employees to contribute to the plan. The City is required to contribute at an actuarially determined rate. The current rate was 6.87% as of December 31, 2003.

ANNUAL PENSION COST

During the fiscal year ended June 30, 2004, the City's contributions totaling \$ 58,765.69 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2000. The employer contribution rate has been determined based on the entry age normal funding method.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE D - PENSION PLAN (CONTINUED)

ANNUAL PENSION COST (Continued)

Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years.

The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit.

Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on age-related scale to reflect merit, longevity, and promotional salary increases.



CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE D - PENSION PLAN (CONTINUED)

REQUIRED SUPPLEMENTARY INFORMATION FOR GASB STATEMENT NO. 25

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
2000	\$ 4051742	\$ 3577762	\$ (473979)	113%	\$ 708938	0
2001	4167844	3819200	(348644)	109%	737717	0
2002	4061115	4167084	105969	97%	795179	13
2003	4163328	4537454	374126	92%	855919	15

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE D - PENSION PLAN (CONTINUED)

GASB 25 AND GASB 27 INFORMATION

The following information has been prepared to provide the information necessary to comply with GASB Statements 25 and 27.

Statement 25 is effective for fiscal years beginning after June 15, 1996 and Statement 27 is effective for fiscal years beginning after June 15, 1998.

All entries are based on the actuarial methods and assumptions that are used in the December 31, 2003 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE D - PENSION PLAN (CONTINUED)

GASB 25 INFORMATION (as of 12/31/03)

Actuarial Accrued Liability

Retirees and beneficiaries currently receiving benefits	\$ 2,120,130
Terminated employees not yet receiving benefits	46,474
Current employees -	
Accumulated employee contributions including allocated investment income	210,016
Employer Financed	<u>2,160,834</u>
Total Actuarial Accrued Liability	4,537,454
Net Assets Available for Benefits at Actuarial Value	<u>4,163,328</u>
(Market Value is \$ 3,801,567)	
Unfunded (Overfunded) Actuarial Accrued Liability	\$ <u>374,126</u>

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE D - PENSION PLAN (CONTINUED)

GASB 27 INFORMATION (as of 12/31/03)

Fiscal Year Beginning	July 01, 2005
Annual Required contribution (ARC)	\$ 127,356
Amortization Factor Used (Unfunded Liabilities - 30 years)	0.053632

NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

BUDGET VIOLATIONS

P.A. 621 of 1978, SECTION 18 (1), as amended, provides a local unit shall not incur expenditures in excess of the amounts appropriated.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS  
(CONTINUED)

BUDGET VIOLATIONS (Continued)

The City of Iron River's actual expenditures and budgeted expenditures for the funds budgeted have been shown on an activity basis. The approved budgets of the City of Iron River were adopted at the activity level. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

The total actual 2003-2004 expenditures for the following activities (cost centers) exceeded the amended budget allocations by a total of \$ 78,847, contrary to the provisions of Section 17 of Public Act 621 of 1978, the "Uniform Budgeting and Accounting Act".

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS  
(CONTINUED)

BUDGET VIOLATIONS (Continued)

<u>ACTIVITY (COST CENTER)</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>OVER EXPENDITURES</u>
<u>General Fund</u>			
City Commission	\$ 6479	\$ 6294	\$ 185
Elections	5389	5310	79
City Clerk	44960	43577	1383
Cemetery	5480	5300	180
Other	121528	107054	14474
Prisoner Labor	11422	10600	822
Side Walks	6600	3490	3110
Street Lights	51618	50100	1518
Community Betterment	16486	13800	2686
Community Recreation	62579	58874	3705
Outgoing Transfers	127542	96079	31463

(Continued on page 124)

**CITY OF IRON RIVER**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

JUNE 30, 2004

**NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS  
(CONTINUED)**

**BUDGET VIOLATIONS (Continued)**

(Continued from previous page)

<u>ACTIVITY (COST CENTER)</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>OVER EXPENDITURES</u>
<u>Major Street Fund</u>			
Administration	\$ 33070	\$ 31708	\$ 1362
Routine Maintenance	86642	73039	13603
Traffic Control	2138	1935	203
<u>Local Street Fund</u>			
Administration	9404	9229	175
Routine Maintenance	<u>59794</u>	<u>55895</u>	<u>3899</u>
<b>Totals</b>	<b>\$ <u>651131</u></b>	<b>\$ <u>572284</u></b>	<b>\$ <u>78847</u></b>

**CITY OF IRON RIVER**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2004*

**NOTE F - ACCUMULATED FUND DEFICITS**

At June 30, 2004, the City had no fund balance/retained earnings deficit in any fund.

**NOTE G - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City.

**NOTE H - CAPITAL ASSETS**

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2004:



**CITY OF IRON RIVER**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

JUNE 30, 2004

**NOTE H - CAPITAL ASSETS (CONTINUED)**

**GOVERNMENTAL ACTIVITIES**

	Balance June 30, 2003	Increases	Decreases	Balance June 30, 2004
<u>Capital Assets Not Being Depreciated</u>	\$	\$	\$	\$
Land and Land Improvements	612683	0	4125	608558
Construction in Progress	0	0	0	0
<b>Total Capital Assets Not Being Depreciated</b>	<b>\$ 612683</b>	<b>\$ 0</b>	<b>\$ 4125</b>	<b>\$ 608558</b>
<u>Other Capital Assets</u>				
Land Improvements	575797	52139	0	627936
Buildings	2187981	23400	0	2211381
Infrastructure	5030938	127414	0	5158352
Furniture & Other Equip.	2653319	14576	20778	2647117
<b>Total Other Cap. Assets</b>	<b>\$ 10448035</b>	<b>\$ 217529</b>	<b>\$ 20778</b>	<b>\$ 10644786</b>
<u>Less Accumulated Depreciation for:</u>				
Land Improvements	(417109)	(20656)	0	(437765)
Buildings	(559885)	(42536)	0	(602421)
Infrastructure	(2401644)	(168833)	0	(2570477)
Furniture & Other Equip.	(1672137)	(185325)	16882	(1840580)
<b>Total Accum. Depreciation</b>	<b>(5050775)</b>	<b>(417350)</b>	<b>16882</b>	<b>(5451243)</b>
Other Capital Assets, Net	5397260	(199821)	3896	5193543
<b>TOTALS</b>	<b>\$ 6009943</b>	<b>\$ (199821)</b>	<b>\$ 8021</b>	<b>\$ 5802101</b>

**CITY OF IRON RIVER**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

JUNE 30, 2004

**NOTE H - CAPITAL ASSETS (CONTINUED)**

**GOVERNMENTAL ACTIVITIES (Continued)**

Depreciation was charged to governmental functions as unallocated.

**BUSINESS-TYPE ACTIVITIES**

The following is a summary of changes in capital assets for business-type activities for the fiscal year ended June 30, 2004:

	Balance June 30, 2003	<u>Increases</u>	<u>Decreases</u>	Balance June 30, 2004
<b><u>BUSINESS-TYPE ACTIVITIES</u></b>				
<u>Capital Assets Not</u>				
<u>Being Depreciated:</u>				
Land, Easements and	\$ 2000	\$ 0	\$ 0	\$ 2000
Right-of-Way				
<u>Other Capital Assets:</u>				
Land and Improvements	103709	0	0	103709
Buildings	776690	0	0	776690
Infrastructure	11170636	1915555	0	13086191
Machinery and				
Equipment	985411	0	0	985411
<u>Total Capital Assets</u>	\$ 13038446	\$ 1915555	\$ 0	\$ 14954001

(Continued on page 128)

**CITY OF IRON RIVER**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

JUNE 30, 2004

**NOTE H - CAPITAL ASSETS (CONTINUED)**

**BUSINESS-TYPE ACTIVITIES (Continued)**

(Continued from previous page)

	Balance June 30, <u>2003</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2004</u>
<b>Less Accumulated</b>				
<b><u>Depreciation for:</u></b>				
Land Improvements	\$ (31178)	\$ (5185)	\$ 0	\$ (36363)
Buildings	(189027)	(15535)	0	(204562)
Infrastructure	(1640448)	(173084)	0	(1813532)
Machinery and Equipment	<u>(269590)</u>	<u>(74708)</u>	<u>0</u>	<u>(344298)</u>
<b>Total Accumulated Depreciation</b>	<u>(2130243)</u>	<u>(268512)</u>	<u>0</u>	<u>(2398755)</u>
<b>TOTALS</b>	<b>\$ <u>10908203</u></b>	<b>\$ <u>1647043</u></b>	<b>\$ <u>0</u></b>	<b>\$ <u>12555246</u></b>

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE H - CAPITAL ASSETS (CONTINUED)

COMPONENT UNIT - DOWNTOWN DEVELOPMENT  
AUTHORITY

There are no capital assets in the Downtown  
Development Authority.

COMPONENT UNIT - TAX INCREMENT FINANCING  
AUTHORITY

There are no capital assets in the Tax  
Increment Financing Authority.

NOTE I - LONG-TERM DEBT

The following is a summary of changes of  
the primary government's long-term debt  
obligation on June 30, 2004:

GOVERNMENTAL ACTIVITIES

	<u>7/01/03</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>6/30/04</u>
Note Payable Republic Bank Heating System Improvement	\$ 196695.65	\$ 0.00	\$ 12923.44	\$ 183772.21

(Continued on page 130)

**CITY OF IRON RIVER**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

JUNE 30, 2004

**NOTE I - LONG-TERM DEBT (CONTINUED)**

**GOVERNMENTAL ACTIVITIES (Continued)**

	<u>7/01/03</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>6/30/04</u>
Iron River Building Authority Bonds Payable	\$ 265000.00	\$ 0.00	\$ 10000.00	\$ 255000.00
Stambaugh Building Authority Bonds Payable	95000.00	0.00	15000.00	80000.00
Note Payable Wells Fargo Bank # 000-00-0003-4 2000 International Demo Snowplow	43063.87	0.00	14901.78	28162.09
Note Payable Wells Fargo Bank # 000-00-0005-9 1988 International Plow Truck	12653.47	0.00	4279.23	8374.24

(Continued on page 131)

**CITY OF IRON RIVER**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

JUNE 30, 2004

**NOTE I - LONG-TERM DEBT (CONTINUED)**

**GOVERNMENTAL ACTIVITIES (Continued)**

(Continued from previous page)

	<u>7/01/03</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>6/30/04</u>
Note Payable Wells Fargo Bank # 000-00-0006-7 1988 International Dump Truck	\$ 13242.17	\$ 0.00	\$ 4478.17	\$ 8764.00
Note Payable Wells Fargo Bank # 000-00-0007-5 Sweeper	\$ 88846.69	\$ 0.00	\$ 32713.65	\$ 56133.04
Long-Term Portion Sick Leave	<u>45549.73</u>	<u>2320.02</u>	<u>0.00</u>	<u>47869.75</u>
Total Long-Term Debt	<u>\$ 760051.58</u>	<u>\$ 2320.02</u>	<u>\$ 94296.27</u>	<u>\$ 668075.33</u>

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE I - LONG-TERM DEBT (CONTINUED)

HEATING SYSTEM IMPROVEMENT

On September 24, 1998, the City entered into an installment purchase agreement with the D & N Bank in the amount of \$246,320 for the purchase and installation of heating equipment. The note, bearing an interest rate of 5.61%, is payable in fifteen annual installments of \$24,854.03 commencing on October 05, 1999. The useful life of the equipment is determined to be not less than forty (40) years.

The obligation of the City to pay principal and interest under the agreement is a general obligation of the City. The City has agreed to include in its budget and pay each year such sums as are necessary to make all payments when due. The City has designated the obligations under this agreement as "qualified tax-exempt obligations" for the purpose of deduction of interest expense by financial institutions.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE I - LONG-TERM DEBT (CONTINUED)

HEATING SYSTEM IMPROVEMENT (Continued)

The installment purchase agreement complies with the provisions of Act 99.

1995 CITY OF IRON RIVER BUILDING AUTHORITY BONDS

The Iron River Building Authority approved a resolution on October 11, 1995 to issue bonds in the aggregate principal sum of \$320,000 in anticipation of the commitments of the City under the Contract to finance the renovation in the City Hall to comply with the Americans with Disabilities Act, all as set out in a certain Full Faith and Credit General Obligation Contract of Lease between the City and the Authority.

The 1995 Building Authority Bond consists of one single fully registered non-convertible bond of denomination of \$320,000, payable in principal installments on November 1 of each year.



CITY OF IRON RIVER
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NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE I - LONG-TERM DEBT (CONTINUED)

1995 CITY OF IRON RIVER BUILDING AUTHORITY  
BONDS (Continued)

The serial principal installments bear interest at the rate of not to exceed 5.125% per annum, payable on the first day of May and November of each year. The first principal installment of \$5,000, along with accrued interest, was due on November 1, 1996.

Scheduled payments of principal and interest are as follows:

	<u>May 1</u> <u>Interest</u>	<u>November 1</u>		<u>Total</u>
		<u>Principal</u>	<u>Interest</u>	
2004	\$	\$ 10,000	\$ 6,605	\$ 16,605

(Continued on page 135)

**CITY OF IRON RIVER**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

JUNE 30, 2004

**NOTE I - LONG-TERM DEBT (CONTINUED)**

**1995 CITY OF IRON RIVER BUILDING AUTHORITY  
BONDS (Continued)**

(Continued from previous page)

	<u>May 1</u> <u>Interest</u>		<u>November 1</u> <u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 6,346	\$	10,000	\$ 6,346	\$ 22,692
2006	6,087		10,000	6,087	22,174
2007	5,828		10,000	5,828	21,656
2008	5,569		10,000	5,569	21,138
2009	5,310		15,000	5,310	25,620
2010	4,921		15,000	4,921	24,842
2011-					
2020	<u>26,544</u>		<u>175,000</u>	<u>26,544</u>	<u>228,088</u>
<b>Totals</b>	<b>\$ <u>60,605</u></b>	<b>\$</b>	<b><u>255,000</u></b>	<b>\$ <u>67,210</u></b>	<b>\$ <u>382,815</u></b>

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE I - LONG-TERM DEBT (CONTINUED)

1993 STAMBAUGH BUILDING AUTHORITY BONDS

The Stambaugh Building Authority entered into an agreement through Michigan Municipal Bond Authority's State Revenue Sharing Pledge Program to borrow \$205,000. The Authority used the proceeds from general obligation limited tax bonds to finance the construction of a Department of Public Works facility for the City.

The bonds are secured by a lease agreement with the City and will be retired through lease payments from the City.

The general obligation limited tax building authority bonds were issued on August 26, 1993, and mature annually on May 01 of each year through 2008. Interest is payable semi-annually on May 01 and November 01.

CITY OF IRON RIVER
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NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE I - LONG-TERM DEBT (CONTINUED)

1993 STAMBAUGH BUILDING AUTHORITY BONDS  
(Continued)

Scheduled payments of principal and  
interest are stated as follows:

<u>Period Ending</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Total Debt Service</u>
Nov 1, 2004	\$		\$ 2075.00	\$ 2075.00
May 1, 2005	20000.00	5.050%	2075.00	22075.00
Nov 1, 2005			1570.00	1570.00
May 1, 2006	20000.00	5.150%	1570.00	21570.00
Nov 1, 2006			1055.00	1055.00
May 1, 2007	20000.00	5.250%	1055.00	21055.00
Nov 1, 2007			530.00	530.00
May 1, 2008	<u>20000.00</u>	5.300%	<u>530.00</u>	<u>20530.00</u>
	\$ 80000.00		\$ 10460.00	\$ 90460.00

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE I - LONG-TERM DEBT (CONTINUED)

NOTE PAYABLE - WELLS FARGO BANK  
2000 International Demo Snowplow

On October 25, 2000, the City entered into an installment purchase agreement with Schultz Equipment and Parts Company and Wells Fargo Bank Michigan for the purchase of a 2000 International Demo Snowplow in the amount of \$86,011. The note bears interest at the rate of 5.90%, payable in 60 monthly installments of \$1,658.83.

On June 30, 2004, the principal balance on the note was \$ 28,162.09.

NOTE PAYABLE - WELLS FARGO BANK  
1988 International Plow Truck

On March 19, 2001, the City of Iron River signed a promissory note in the principal amount of \$21,500, bearing interest at the rate of 5.54% for the purchase of a 1988 International plow truck.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE I - LONG-TERM DEBT (CONTINUED)

NOTE PAYABLE - WELLS FARGO BANK  
1988 International Plow Truck (Continued)

The note is payable in 61 monthly payments of \$405.83 beginning April 15, 2001, with all subsequent payments due on the fifteenth day of each month thereafter.

The principal balance of the note on June 30, 2004 was \$ 8,374.24.

NOTE PAYABLE - WELLS FARGO BANK  
1988 International Dump Truck

On March 19, 2001, the City of Iron River signed a promissory note in the principal amount of \$ 22,500 for the purchase of a 1988 International dump truck. The note bears interest at the rate of 5.54% per annum and is payable in 61 monthly payments of \$ 424.70 beginning April 15, 2001 and on the fifteenth day of each month thereafter.

On June 30, 2004, the principal balance of the note was \$ 8,764.00.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE I - LONG-TERM DEBT (CONTINUED)

NOTE PAYABLE - WELLS FARGO BANK  
Sweeper

On April 10, 2001, the City of Iron River signed a promissory note with Wells Fargo Bank in the principal amount of \$147,905 for the purchase of a sweeper, bearing interest at the rate of 5.54% per annum, payable in 61 monthly payments of \$2,833.52 beginning on May 10, 2001 and payable on the tenth day of each month thereafter.

On June 30, 2004, the principal balance of the note was \$ 56,133.04.

LONG-TERM EMPLOYEE BENEFITS PAYABLE

Long-term employee sick leave, plus the related costs of FICA, medicare, and retirement will be payable at the rate of 50% at termination. On June 30, 2004, the accrued liability totaled \$ 95,739.50. One half of the liability is \$ 47,869.75 and is reflected as a long term liability in the City's financial statements.

CITY OF IRON RIVER
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NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE I - LONG-TERM DEBT (CONTINUED)

	<u>July 01, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2004</u>
<u>Business-type activities</u> \$		\$	\$	\$
Water Supply System Revenue Bond (Former City of Stambaugh)	2114000	-0-	25000	2089000
City of Iron River 2001 Water Supply System Revenue Bond	<u>4873000</u>	<u>-0-</u>	<u>67000</u>	<u>4806000</u>
 TOTALS	 \$ <u>6987000</u>	 \$ <u>-0-</u>	 \$ <u>92000</u>	 \$ <u>6895000</u>



CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE I - LONG-TERM DEBT (CONTINUED)

WATER SUPPLY SYSTEM REVENUE BOND PAYABLE

In May of 1999, the former City of Stambaugh, pursuant to the provisions of Act 94, Public Acts of Michigan, 1933, as amended, approved the issuance of water supply system revenue bonds in the amount of \$2,202,000 for the acquisition, construction, and equipping of improvements to the Water Supply system of the former City of Stambaugh.

The total cost of the Project was estimated to be not less than \$4,637,000, and the period of usefulness of the Project was estimated to be not less than 40 years. The remaining cost of the project is to be defrayed from grant funds and Issuer funds on hand and legally available for such use.

Water Supply System bonds mature annually on May 01 of each year through May 01, 2039. Interest is payable semi-annually on May 01 and November 01 of each year at a rate of 4.50% per annum.

CITY OF IRON RIVER
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NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE I - LONG-TERM DEBT (CONTINUED)

WATER SUPPLY SYSTEM REVENUE BOND PAYABLE  
(Continued)

Scheduled payments of principal and  
interest are as follows:

	<u>May 1</u>		<u>November 1</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	<u>Total</u>
2004	\$	\$	\$	\$
2005	25,000	47,003	46,440	118,443
2006	27,000	46,440	45,833	119,273
2007	28,000	45,833	45,203	119,036
2008	29,000	45,203	44,550	118,753
2009	31,000	44,550	43,853	119,403
2010	\$ 32,000	\$ 43,853	\$ 43,133	\$ 118,986
2011 -				
2039	<u>1,917,000</u>	<u>777,203</u>	<u>734,070</u>	<u>3,428,273</u>
<b>Totals</b>	<b>\$ 2,089,000</b>	<b>\$ 1,050,085</b>	<b>\$ 1,050,085</b>	<b>\$ 4,189,170</b>

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE I - LONG-TERM DEBT (CONTINUED)

LONG-TERM DEBT - FORMER VILLAGE OF MINERAL  
HILLS

Sewage Disposal System Revenue Bonds, Series A and B, issued on April 02, 1996, consisted of two (2) single fully-registered nonconvertible bonds of the denominations of \$111,000, and \$60,000, and bear interest at the rate of 4.50% per annum.

CITY OF IRON RIVER 2001 WATER SUPPLY SYSTEM  
REVENUE BOND

On June 27, 2001 pursuant to the provisions of Act 94, Public Acts of Michigan, 1933, as amended, the City of Iron River approved the issuance of water supply system revenue bonds in the amount of \$5,000,000 for the purpose of paying all or part of the cost of water supply system improvements, consisting of water meters, hydrants, valves, transmission and distribution lines, the sites therefore and all related appurtenances and attachments, to serve the users of the City's water system.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE I - LONG-TERM DEBT (CONTINUED)

CITY OF IRON RIVER 2001 WATER SUPPLY SYSTEM  
REVENUE BOND (Continued)

The principal of and interest on said revenue bonds shall be payable solely from the revenues received by the City from the operations of the water system. The bonds are payable in annual installments not to exceed forty in number and will bear interest at the rate of 3.25%.

Scheduled payments of principal and interest are as follows:

		<u>May 1</u>		<u>November 1</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	<u>Total</u>	
2004	\$	\$		\$ 78,098	\$	78,098
2005		69,000	78,098	76,976		224,074

(Continued on page 146)

CITY OF IRON RIVER
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NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE I - LONG-TERM DEBT (CONTINUED)

CITY OF IRON RIVER 2001 WATER SUPPLY SYSTEM  
REVENUE BOND (Continued)

(Continued from previous page)

	<u>May 1</u>		<u>November 1</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 71,000	\$ 76,976	\$ 75,823	\$ 223,799
2007	73,000	75,823	74,636	223,459
2008	75,000	74,636	73,418	223,054
2009	78,000	73,418	72,150	223,568
2010	81,000	72,150	70,834	223,984
2011 -				
2041	<u>4,359,000</u>	<u>1,312,456</u>	<u>1,241,622</u>	<u>6,913,078</u>
<b>Totals</b>	<b>\$ 4,806,000</b>	<b>\$ 1,763,557</b>	<b>\$ 1,763,557</b>	<b>\$ 8,333,114</b>

As of June 30, 2004, construction was underway on the project, and the City had drawn \$ 4,979,000 on the bonds.

CITY OF IRON RIVER
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NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE J - SEGMENT INFORMATION - Enterprise Funds

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>RV Park Fund</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$ 740821	\$ 618303	\$ 40237	\$ 1399361
Depreciation and Amortization Expense	220377	40996	7139	268512
Operating Income or (Loss)	79777	32207	(18436)	93548
Operating Grants, Entitlements, and Shared Revenues	0	0	0	0
Operating Transfers:				
In	0	0	0	0
(Out)	0	0	0	0
Tax Revenues	0	0	0	0
Net Income or Loss	1527383	32703	(18419)	1541667
Current Capital:				
Contributions	0	0	0	0
Transfers	0	0	0	0

(Continued on page 148)

**CITY OF IRON RIVER**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

JUNE 30, 2004

**NOTE J - SEGMENT INFORMATION - Enterprise Funds (CONTINUED)**

(Continued from previous page)

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>RV Park Fund</u>	<u>Total Enterprise Funds</u>
Property, Plant, and Equipment	\$	\$	\$	\$
Additions	1884771	0	0	1884771
Deletions	0	0	0	0
Net Working Capital	324179	216286	6984	547449
Total Assets	11327795	2043561	128330	13499686
Bonds and Other Long-Term Liabilities				
Payable from Operating Revenues	6895000	0	0	6895000
Payable from Other Sources	0	0	0	0
Total Equity	\$ 4167062	\$ 1912589	\$ 128045	\$ 6207696

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE K - RELATED PARTY TRANSACTIONS

Related parties exist when there is a relationship that offers the potential for transactions at less than arm's length, favorable treatment, or even the ability to influence the outcome of events differently from that which might result in the absence of that relationship.

Financial statements must include disclosure of material related party transactions, other than compensation arrangements, expense allowances and similar items in the ordinary course of business.

However, disclosure of transactions that are eliminated in the preparation of combined financial statements is not required in those statements.



**CITY OF IRON RIVER**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2004*

**NOTE K - RELATED PARTY TRANSACTIONS (CONTINUED)**

On this basis, there were no related party transactions reported in the financial statements.

**NOTE L - SUBSEQUENT EVENTS**

Subsequent events have a material effect on the financial statements which requires adjustment or disclosure. They relate to events that provide additional evidence with respect to conditions that existed at the date of the balance sheet and events that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose subsequent to that date.

At fiscal year ended June 30, 2004, there were no subsequent events that would have a significant affect on the City's operations.

**CITY OF IRON RIVER**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*JUNE 30, 2004*

**NOTE M - COMMITMENTS AND CONTINGENCIES (CONTINUED)**

The City participates in state and federal grant programs which are governed by various rules and regulations of the grantor agencies.

Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of money received may be required and the collectibility of any related receivable at June 30, 2004 may be impaired.

In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

CITY OF IRON RIVER

NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)

JUNE 30, 2004

NOTE M - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Michigan Department of Environmental  
Quality Consent Order

As a result of the violation during the prior period, of an Administrative Consent Order, agreed upon by the City of Iron River and the Michigan Department of Environmental Quality on March 13, 2002, the City may be liable for stipulated penalties of FIVE HUNDRED (\$500) DOLLARS per day for each failure to meet the requirements or dates of the corrective program.

The City is currently working with the Michigan Department of Environmental Quality to remedy this situation, and it is unknown what the City's actual liability for these penalties will be.

**REQUIRED SUPPLEMENTAL**  
**INFORMATION**

**CITY OF IRON RIVER**

**REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

*FISCAL YEAR ENDED JUNE 30, 2004*

	<u>ORIGINAL BUDGET</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>
<b><u>REVENUE</u></b>			
General property taxes	\$ 757000	\$ 746549	\$ 746549
Other local taxes	13380	12297	12297
Penalties and interest on taxes	28000	29150	31872
Licenses, permits, and fines	3172	3096	3373
Sale of property	8000	13825	16015
Use of money and property	214800	206100	239119
Charges for services	208450	206250	206031
Miscellaneous	7000	9000	8336
Recovered costs	371630	28000	26558
Intergovernmental	<u>502400</u>	<u>475534</u>	<u>510296</u>
<b>TOTAL REVENUE</b>	<b>2113832</b>	<b>1729801</b>	<b>1800446</b>
<b><u>EXPENDITURES</u></b>			
General government	402214	440506	445099
Legislative	8100	6294	6479
Public safety	302570	501965	461264
Public works	226050	355580	350101
Highways and streets	73250	66228	69841
Sanitation and health	157010	151038	148366
Culture and recreation	48430	58874	62579
Community development	17550	13800	16486
Employee benefits	783428	0	0
Debt service:			
Principal	56413	0	0
Interest and fees	7463	0	0
Capital outlay	124600	46680	43256
Intergovernmental payments	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL EXPENDITURES</b>	<b>2207078</b>	<b>1640965</b>	<b>1603471</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Operating transfers in	0	0	0
Operating transfers out	(24854)	(96079)	(127542)
Transfers to component units	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(24854)</b>	<b>(96079)</b>	<b>(127542)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(118100)</b>	<b>(7243)</b>	<b>69433</b>
<b>FUND BALANCE - Beginning of Year</b>	<b><u>645018</u></b>	<b><u>645018</u></b>	<b><u>645018</u></b>
<b>FUND BALANCE - End of Year</b>	<b>\$ <u>526918</u></b>	<b>\$ <u>637775</u></b>	<b>\$ <u>714451</u></b>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER
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**REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE - MAJOR STREET FUND**

FISCAL YEAR ENDED JUNE 30, 2004

	<u>ORIGINAL BUDGET</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>
	<u>MAJOR STREET FUND</u>	<u>MAJOR STREET FUND</u>	<u>MAJOR STREET FUND</u>
<b><u>REVENUE</u></b>			
Interest Income	\$ 1300	\$ 500	\$ 808
Miscellaneous	72100	72100	62076
State Shared-Act 51	325000	321152	322694
Trunkline Maintenance	29430	37000	37209
Other	<u>195200</u>	<u>99000</u>	<u>0</u>
<b>TOTAL REVENUE</b>	<b>623030</b>	<b>529752</b>	<b>422787</b>
 <b><u>EXPENDITURES - CURRENT</u></b>			
Administration	19190	31708	33070
Construction	410400	310465	189990
Routine Maintenance	63500	73039	86642
Winter Maintenance	78200	104437	97739
State Trunkline Maintenance	29430	40714	36022
Other	<u>34600</u>	<u>0</u>	<u>0</u>
<b>TOTAL EXPENDITURES</b>	<b>635320</b>	<b>560363</b>	<b>443463</b>
 <b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Operating transfers out	<u>(70400)</u>	<u>0</u>	<u>0</u>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(82690)</b>	<b>(30611)</b>	<b>(20676)</b>
 <b>FUND BALANCE - Beginning of Year</b>	 <b><u>394921</u></b>	 <b><u>394921</u></b>	 <b><u>394921</u></b>
<b>FUND BALANCE - End of Year</b>	<b>\$ <u>312231</u></b>	<b>\$ <u>364310</u></b>	<b>\$ <u>374245</u></b>

The notes to the financial statements are an integral part of this report.

**OTHER SUPPLEMENTAL**  
**INFORMATION**

CITY OF IRON RIVER
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OTHER SUPPLEMENTAL INFORMATION  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2004

	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE FUNDS</u>			
	<u>LOCAL STREET FUND</u>	<u>DEBT SERVICE FUND</u>	<u>BUILDING AUTHORITY</u>	<u>CAPITAL PROJECT FUND</u>	<u>TOTAL</u>
<b>ASSETS</b>					
Cash and Investments (Note C)	\$ 212641	\$ 6621	\$ 3723	\$ 43899	\$ 266884
Receivables					
Accounts Receivable				1048	1048
<b>TOTAL ASSETS</b>	<b>\$ <u>212641</u></b>	<b>\$ <u>6621</u></b>	<b>\$ <u>3723</u></b>	<b>\$ <u>44947</u></b>	<b>\$ <u>267932</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts Payable	2300	0	0	1048	3348
Accrued Salaries and Benefits	<u>1501</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1501</u>
<b>TOTAL LIABILITIES</b>	<b>3801</b>	<b>0</b>	<b>0</b>	<b>1048</b>	<b>4849</b>
<b>FUND BALANCES</b>					
Reserved for Local Streets	208840				208840
Reserved for Capital Projects	0		0	43899	43899
Reserved for Debt Service	<u>0</u>	<u>6621</u>	<u>3723</u>	<u>0</u>	<u>10344</u>
<b>TOTAL FUND BALANCES</b>	<b>208840</b>	<b>6621</b>	<b>3723</b>	<b>43899</b>	<b>263083</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ <u>212641</u></b>	<b>\$ <u>6621</u></b>	<b>\$ <u>3723</u></b>	<b>\$ <u>44947</u></b>	<b>\$ <u>267932</u></b>

The notes to the financial statements are an integral part of this report.



**CITY OF IRON RIVER**

**OTHER SUPPLEMENTAL INFORMATION  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS**

YEAR ENDED JUNE 30, 2004

	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE FUNDS</u>			
	<u>LOCAL STREET FUND</u>	<u>DEBT SERVICE FUND</u>	<u>BUILDING AUTHORITY</u>	<u>CAPITAL PROJECT FUND</u>	<u>TOTAL</u>
<b><u>REVENUE</u></b>					
Use of money and property	\$ 111	\$ 9	\$ 43273	\$ 84	\$ 43477
Miscellaneous local revenue	0			46055	46055
Intergovernmental	<u>89137</u>	<u>0</u>	<u>      </u>	<u>0</u>	<u>89137</u>
<b>TOTAL REVENUE</b>	<b>\$ 89248</b>	<b>\$ 9</b>	<b>\$ 43273</b>	<b>\$ 46139</b>	<b>\$ 178669</b>
<b><u>EXPENDITURES</u></b>					
<b>Current</b>					
Highways and streets	127903	0	0	0	127903
Debt Service					
Principal		69296	25000		94296
Interest and Fees		19433	18217		37650
Capital Outlay				14016	14016
Intergovernmental Payments	<u>0</u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>0</u>
<b>TOTAL EXPENDITURES</b>	<b>127903</b>	<b>88729</b>	<b>43217</b>	<b>14016</b>	<b>273865</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(38655)</b>	<b>(88720)</b>	<b>56</b>	<b>32123</b>	<b>(95196)</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Operating transfers in	0	88729		7410	96139
Operating transfers out	<u>0</u>	<u>      </u>	<u>0</u>	<u>      </u>	<u>0</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>0</b>	<b>88729</b>	<b>0</b>	<b>7410</b>	<b>96139</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(38655)</b>	<b>9</b>	<b>56</b>	<b>39533</b>	<b>943</b>
<b>FUND BALANCES - Beginning of Year</b>	<b><u>247495</u></b>	<b><u>6612</u></b>	<b><u>3667</u></b>	<b><u>4366</u></b>	<b><u>262140</u></b>
<b>FUND BALANCES - End of Year</b>	<b>\$ <u>208840</u></b>	<b>\$ <u>6621</u></b>	<b>\$ <u>3723</u></b>	<b>\$ <u>43899</u></b>	<b>\$ <u>263083</u></b>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER
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COMBINING BALANCE SHEET  
SPECIAL REVENUE FUNDS

JUNE 30, 2004

<u>ASSETS</u>	<u>MAJOR STREET FUND</u>	<u>LOCAL STREET FUND</u>	<u>TOTAL</u>
Cash and Deposits	\$ 378217	\$ 212641	\$ 590858
Due from Other Funds	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL ASSETS</b>	<b><u>378217</u></b>	<b><u>212641</u></b>	<b><u>590858</u></b>
 <u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES</u>			
Accounts Payable	0	2300	2300
Accrued Benefits	2970	1501	4471
Due to Other Funds	<u>1002</u>	<u>0</u>	<u>1002</u>
<b>TOTAL LIABILITIES</b>	<b>3972</b>	<b>3801</b>	<b>7773</b>
 <u>FUND EQUITY</u>			
Fund Balance, Unrestricted	<u>374245</u>	<u>208840</u>	<u>583085</u>
<b>TOTAL FUND EQUITY</b>	<b>374245</b>	<b>208840</b>	<b>583085</b>
 <b>TOTAL LIABILITIES AND FUND EQUITY</b>	 <b>\$ <u>378217</u></b>	 <b>\$ <u>212641</u></b>	 <b>\$ <u>590858</u></b>

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
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**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
SPECIAL REVENUE FUNDS**

*FISCAL YEAR ENDED JUNE 30, 2004*

	<u>MAJOR STREET FUND</u>	<u>LOCAL STREET FUND</u>	<u>TOTAL</u>
<b><u>REVENUES</u></b>			
State Shared Revenue - Act 51	\$ 322694	\$ 89137	\$ 411831
Trunkline Maintenance	37209	0	37209
Other	62076	0	62076
Interest	<u>808</u>	<u>111</u>	<u>919</u>
<b>TOTAL REVENUES</b>	<b>422787</b>	<b>89248</b>	<b>512035</b>
 <b><u>EXPENDITURES</u></b>			
Administration	33070	9404	42474
Construction	189990		189990
Routine Maintenance	86642	59794	146436
Winter Maintenance	97739	58705	156444
State Trunkline Maintenance:			
General Maintenance	5607		5607
Sweeping	6595		6595
Traffic	2138		2138
Snow Removal	<u>21682</u>		<u>21682</u>
<b>TOTAL EXPENDITURES</b>	<b>443463</b>	<b>127903</b>	<b>571366</b>
 Excess of Revenues Over (Under) Expenditures	 (20676)	 (38655)	 (59331)
 FUND BALANCE, Beginning of Year	 <u>394921</u>	 <u>247495</u>	 <u>642416</u>
FUND BALANCE, End of Year	\$ <u>374245</u>	\$ <u>208840</u>	\$ <u>583085</u>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER
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GENERAL FUND  
BALANCE SHEET

JUNE 30, 2004

**ASSETS**

Cash and Deposits, Unrestricted	\$	504543
Delinquent Taxes Receivable		109344
Accounts/Grants Receivable:		
Federal		0
State		58752
Other		23768
Due from Other - Retirees Health Insurance		4661
Due from Other Funds		<u>77930</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>778998</u></b>

**LIABILITIES AND FUND EQUITY**

**LIABILITIES**

Accounts Payable	6545
Accrued Salaries and Benefits	26204
Due to Other Funds	31448
Deferred Revenue	<u>350</u>
<b>TOTAL LIABILITIES</b>	<b>64547</b>

**FUND EQUITY**

Fund Balance, Reserved	0
Fund Balance, Unreserved	<u>714451</u>
<b>TOTAL FUND EQUITY</b>	<b>714451</b>

<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$</b>	<b><u>778998</u></b>
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The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER
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STATEMENT OF REVENUES  
ACTUAL AND BUDGET

GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2004

<u>LOCAL REVENUE</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u> Favorable (Unfavorable)
<u>Property Tax</u>			
Property Tax	\$ 746549	\$	\$
Payment in Lieu of Taxes	12297		
Penalties, Interest and Fees	31872		
<b>Total Property Tax</b>	<b>790718</b>	<b>787996</b>	<b>2722</b>
 Interest	 977	 1400	 (423)
 <u>Revenue from Use of Property</u>			
Equipment Rental	227990		
Park Rental	94		
Building Rental	7240		
Sign Rental	2818		
<b>Total Revenue from Use of Property</b>	<b>238142</b>	<b>204700</b>	<b>33442</b>
 <u>Other Local Revenue</u>			
Sale of Property	14775		
Licenses, Permits and Fines	1271		
Garbage Collection	204681		
Grave Openings	1350		
Miscellaneous	9576		
Reimbursements	26558		
Ordinance Violations	2102		
<b>Total Other Local Revenue</b>	<b>260313</b>	<b>260171</b>	<b>142</b>
 <b>TOTAL LOCAL REVENUE</b>	 <b>1290150</b>	 <b>1254267</b>	 <b>35883</b>
 <u>STATE REVENUE</u>			
State Shared - Sales Tax Dist.	482235		
Liquor Licenses	6553		
State Shared - Annual Maintenance	21508		
<b>Total State Revenue</b>	<b>510296</b>	<b>475534</b>	<b>34762</b>
 <b>TOTAL REVENUE</b>	 <b>\$ 1800446</b>	 <b>\$ 1729801</b>	 <b>\$ 70645</b>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER
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STATEMENT OF EXPENDITURES  
ACTUAL AND BUDGET

GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2004

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u> <u>Favorable</u> <u>(Unfavorable)</u>
<u>LEGISLATIVE</u>			
<u>City Commission</u>			
Fees and Services	\$ 4860	\$	\$
Supplies	34		
Training	654		
Travel	<u>931</u>	<u>          </u>	<u>          </u>
<b>TOTAL LEGISLATIVE</b>	<b>6479</b>	<b>6294</b>	<b>(185)</b>
 <u>GENERAL GOVERNMENT</u>			
<u>City Manager</u>			
Salaries	34770		
Fringe Benefits	25992		
Membership Dues	75		
Telephone	200		
Supplies	451		
Training	865		
Transportation/Travel	4190		
Other	<u>269</u>	<u>          </u>	<u>          </u>
<b>Total City Manager</b>	<b>66812</b>	<b>67844</b>	<b>1032</b>
 <u>Elections</u>			
Fees and Services	3192		
Supplies	1697		
Meals	287		
Printing and Publishing	163		
Other	<u>50</u>	<u>          </u>	<u>          </u>
<b>Total Elections</b>	<b>5389</b>	<b>5310</b>	<b>(79)</b>
 <u>City Assessor</u>			
Salaries	7760		
Fringe Benefits	453		
Contract Services	12417		
Supplies	<u>853</u>	<u>          </u>	<u>          </u>
<b>Total City Assessor</b>	<b>\$ 21483</b>	<b>\$ 21911</b>	<b>\$ 428</b>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER
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STATEMENT OF EXPENDITURES  
ACTUAL AND BUDGET  
(CONTINUED)

GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2004

<u>GENERAL GOVERNMENT (Continued)</u>	<u>ACTUAL</u>	<u>BUDGET</u>	VARIANCE Favorable (Unfavorable)
<u>City Clerk</u>			
Salaries	\$ 21151	\$	\$
Fringe Benefits	17804		
Membership Dues	140		
Supplies	2283		
Printing and Publishing	1054		
Training	250		
Travel	2278		
Total City Clerk	44960	43577	(1383)
 <u>City Treasurer</u>			
Salaries	23382		
Fringe Benefits	19665		
Membership Dues	325		
Supplies	6985		
Training	625		
Travel	892		
Other	345		
Total City Treasurer	52219	53657	1438
 <u>Building Rental</u>			
City Hall	23325		
DPW Garage	19893		
Total Building Rental	43218	43218	-0-
 <u>Cemetery</u>			
Salaries	3037		
Fringe Benefits	2424		
Printing and Publishing	19		
Total Cemetery	\$ 5480	\$ 5300	\$ (180)

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER
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STATEMENT OF EXPENDITURES  
ACTUAL AND BUDGET  
(CONTINUED)

GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2004

<u>GENERAL GOVERNMENT</u> (Continued)	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u> Favorable (Unfavorable)
<u>City Hall</u>			
Salaries	\$ 6753	\$	\$
Fringe Benefits	5789		
Contract Services	2251		
Office and Maintenance Supplies	15418		
Repair and Maintenance	6053		
Equipment Rental	1956		
Utilities	26400		
Other	7815		
Total City Hall	72435	78937	6502
 <u>CITY PROPERTY</u>			
<u>Chalet</u>			
Salaries	1426		
Fringe Benefits	1139		
Supplies	292		
Repairs and Maintenance	295		
Utilities	2936		
Total Village Chalet	6088	6235	147
 <u>Other Property</u>			
Salaries	2197		
Fringe Benefits	1817		
Contract Services	1473		
Total Other Property	5487	7463	1976
TOTAL CITY PROPERTY	\$ 11575	\$ 13698	\$ 2123

The notes to the financial statements are an integral part of this report.



CITY OF IRON RIVER
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STATEMENT OF EXPENDITURES  
ACTUAL AND BUDGET  
(CONTINUED)

GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2004

<u>GENERAL GOVERNMENT</u> (Continued)	<u>ACTUAL</u>	<u>BUDGET</u>	VARIANCE Favorable (Unfavorable)
<u>Other</u>	\$	\$	\$
Board of Review	656		
Computer Consulting	9447		
Housing Commission	1730		
Independent Auditing and			
Accounting	18339		
Insurance	70608		
Zoning Board	4332		
Professional Services - City			
Attorney	16416		
<b>Total Other</b>	<b>121528</b>	<b>107054</b>	<b>(14474)</b>
 <b>TOTAL GENERAL GOVERNMENT</b>	 <b>\$ 445099</b>	 <b>\$ 440506</b>	 <b>\$ (4593)</b>
 <u>PUBLIC SAFETY</u>			
<u>Police Department</u>			
Salaries	225025		
Fringe Benefits	196267		
Printing and Publishing	268		
Dues and Subscriptions	187		
Materials, Supplies, and			
Uniforms	7095		
Repair and Maintenance	6575		
Gas and Oil	2925		
Training	278		
Utilities	2960		
<b>Total Police Department</b>	<b>\$ 441580</b>	<b>\$ 469760</b>	<b>\$ 28180</b>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER
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STATEMENT OF EXPENDITURES  
ACTUAL AND BUDGET  
(CONTINUED)

GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2004

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u> <u>Favorable</u> <u>(Unfavorable)</u>
<u>PUBLIC SAFETY (Continued)</u>			
Fire Department	\$	\$	\$
Contract Services	19000		
Fees	105		
Printing and Publishing	<u>579</u>	<u>          </u>	<u>          </u>
Total Fire Department	19684	32205	12521
 TOTAL PUBLIC SAFETY	 \$ 461264	 \$ 501965	 \$ 40701
 <u>DEPARTMENT OF PUBLIC WORKS</u>			
Salaries	\$ 130174	\$	\$
Fringe Benefits	109982		
Supplies	8882		
Repair and Maintenance	33836		
Gas and Oil	26961		
Communications	1258		
Equipment Rental	17909		
Physical Exams	1072		
Professional Services	198		
Uniforms	4050		
Utilities	14864		
Other	<u>915</u>	<u>          </u>	<u>          </u>
TOTAL DEPARTMENT OF PUBLIC WORKS	350101	355580	5479
 <u>HIGHWAYS AND STREETS</u>			
<u>Street Improvements</u>			
Repairs and Improvements	<u>201</u>	<u>          </u>	<u>          </u>
Total Street Improvements	201	201	-0-
 <u>Prisoner Labor</u>			
Contract Services	<u>11422</u>	<u>          </u>	<u>          </u>
Total Prisoner Labor	\$ 11422	\$ 10600	\$ (822)

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER
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STATEMENT OF EXPENDITURES  
ACTUAL AND BUDGET  
(CONTINUED)

GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2004

	<u>ACTUAL</u>	<u>BUDGET</u>	VARIANCE Favorable (Unfavorable)
<u>HIGHWAYS AND STREETS (Continued)</u>			
<u>Sidewalks</u>	\$	\$	\$
Salaries	2732		
Fringe Benefits	2453		
Supplies	1415		
Total Sidewalks	6600	3490	(3110)
 Street Lights	 51618	 50100	 (1518)
 <u>Tree Removal</u>			
Salaries	-0-		
Fringe Benefits	-0-		
Equipment Rental	-0-		
Total Tree Removal	-0-	1837	1837
 TOTAL HIGHWAYS AND STREETS	 \$ 69841	 \$ 66228	 \$ (3613)
 <u>SANITATION AND WASTE REMOVAL</u>			
Salaries	3844		
Fringe Benefits	2594		
Contract Services	141461		
Supplies	239		
Other	228		
TOTAL SANITATION AND WASTE REMOVAL	\$ 148366	\$ 151038	\$ 2672

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER
--------------------

STATEMENT OF EXPENDITURES  
ACTUAL AND BUDGET  
(CONTINUED)

GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2004

	<u>ACTUAL</u>	<u>BUDGET</u>	VARIANCE Favorable (Unfavorable)
<b><u>COMMUNITY BETTERMENT</u></b>			
Membership Dues	\$ 5414	\$	\$
Donations	3386		
Community Promotion	5446		
Printing and Publishing	<u>2240</u>	<u>          </u>	<u>          </u>
<b>TOTAL COMMUNITY BETTERMENT</b>	<b>\$ 16486</b>	<b>\$ 13800</b>	<b>\$ (2686)</b>
 <b><u>COMMUNITY RECREATION</u></b>			
Salaries	\$ 15557	\$	\$
Fringe Benefits	12830		
Contract Services	7318		
Supplies	1409		
Repairs, Maintenance and Improvements	118		
Gas and Oil	251		
Fees	375		
Equipment Rental	1993		
Utilities	5837		
Parks and Recreation	2817		
Donations	<u>14074</u>	<u>          </u>	<u>          </u>
<b>TOTAL COMMUNITY RECREATION</b>	<b>62579</b>	<b>58874</b>	<b>(3705)</b>
 <b>CAPITAL OUTLAY</b>	 <b>43256</b>	 <b>46680</b>	 <b>3424</b>
 <b>TOTAL EXPENDITURES</b>	 <b>\$ <u>1603471</u></b>	 <b>\$ <u>1640965</u></b>	 <b>\$ <u>37494</u></b>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER
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STATEMENT OF EXPENDITURES  
ACTUAL AND BUDGET  
(CONTINUED)

GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2004

	<u>ACTUAL</u>	<u>BUDGET</u>	VARIANCE Favorable (Unfavorable)
<u>OTHER FINANCING USES</u>			
<u>Transfers to Other Funds</u>			
Debt Service	\$ 88729	\$	\$
Capital Projects	7410		
Sick Leave Fund	<u>31403</u>	<u>          </u>	<u>          </u>
TOTAL OTHER FINANCING USES	127542	96079	(31463)
 TOTAL EXPENDITURES AND OTHER FINANCING USES	 \$ <u>1731013</u>	 \$ <u>1737044</u>	 \$ <u>6031</u>

The notes to the financial statements are an integral part of this return.

CITY OF IRON RIVER
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BALANCE SHEET  
MAJOR STREET FUND

JUNE 30, 2004

ASSETS

Cash and Deposits	\$	<u>378217</u>
TOTAL ASSETS		<u>378217</u>

LIABILITIES AND FUND EQUITY  
LIABILITIES

Accrued Benefits	2970
Due to Other Funds	<u>1002</u>
TOTAL LIABILITIES	3972

FUND EQUITY

Fund Balance, Reserved	<u>374245</u>
TOTAL FUND EQUITY	374245

TOTAL LIABILITIES AND FUND EQUITY	\$	<u>378217</u>
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The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER
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STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET

MAJOR STREET FUND

FISCAL YEAR ENDED JUNE 30, 2004

<u>REVENUES</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u> <u>Favorable</u> <u>(Unfavorable)</u>
<u>Local Sources</u>			
Interest Income	\$ 808	\$ 500	\$ 308
Reimbursement - Apple Blossom Trail	<u>62076</u>	<u>72100</u>	<u>(10024)</u>
<b>Total Local Sources</b>	<b>62884</b>	<b>72600</b>	<b>(9716)</b>
 <u>State Sources</u>			
State Shared Revenue - Act 51	322694	321152	1542
Trunkline Maintenance	37209	37000	209
Other	<u>0</u>	<u>99000</u>	<u>(99000)</u>
<b>Total State Sources</b>	<b>359903</b>	<b>457152</b>	<b>(97249)</b>
<b>TOTAL REVENUES</b>	<b>422787</b>	<b>529752</b>	<b>(106965)</b>
 <u>EXPENDITURES</u>			
<u>Administration</u>			
Salaries and Wages	18301	17472	(829)
Fringe Benefits	14702	14236	(466)
Other	<u>67</u>	<u>0</u>	<u>(67)</u>
<b>Total Administration</b>	<b>33070</b>	<b>31708</b>	<b>(1362)</b>
 <u>Construction</u>			
Contract Services	0	0	0
Repairs and Improvements	<u>113796</u>	<u>218679</u>	<u>104883</u>
<b>Total Construction</b>	<b>113796</b>	<b>218679</b>	<b>104883</b>
 <u>Construction - 7th Street</u>			
Contract Services	33093	32186	(907)
Repairs and Improvements	<u>43101</u>	<u>53600</u>	<u>10499</u>
<b>Total Construction - 7th Street</b>	<b>76194</b>	<b>85786</b>	<b>9592</b>
 <u>Construction - Lalley Road</u>			
Contract Services	<u>-0-</u>	<u>6000</u>	<u>6000</u>
<b>Total Construction - Lalley Road</b>	<b>\$ -0-</b>	<b>\$ 6000</b>	<b>\$ 6000</b>

The notes to the financial statements are an integral part of this report.

**CITY OF IRON RIVER**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
(CONTINUED)**

**MAJOR STREET FUND**

*FISCAL YEAR ENDED JUNE 30, 2004*

<u>EXPENDITURES (Continued)</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE Favorable (Unfavorable)</u>
<u>Routine Maintenance</u>			
Salaries and Wages	\$ 21702	\$ 22700	\$ 998
Fringe Benefits	19438	18839	(599)
Supplies	5159	6000	841
Repairs and Improvements	520	500	(20)
Equipment Rental	39692	25000	(14692)
Other	<u>131</u>	<u>0</u>	<u>(131)</u>
<b>Total Routine Maintenance</b>	<b>86642</b>	<b>73039</b>	<b>(13603)</b>
<u>Winter Maintenance</u>			
Salaries and Wages	20258	21300	1042
Fringe Benefits	17698	18070	372
Supplies	8102	5950	(2152)
Equipment Rental	34564	42000	7436
Contract Services	<u>17117</u>	<u>17117</u>	<u>0</u>
<b>Total Winter Maintenance</b>	<b>97739</b>	<b>104437</b>	<b>6698</b>
<u>State Trunkline Maintenance</u>			
<u>General Maintenance</u>			
Salaries and Wages	1807	2000	193
Fringe Benefits	1561	1659	98
Supplies	0	2155	2155
Equipment Rental	<u>2239</u>	<u>2200</u>	<u>(39)</u>
<b>Total General Maintenance</b>	<b>5607</b>	<b>8014</b>	<b>2407</b>
<u>Sweeping</u>			
Salaries and Wages	1286	1400	114
Fringe Benefits	1111	1163	52
Equipment Rental	<u>4198</u>	<u>4500</u>	<u>302</u>
<b>Total Sweeping</b>	<b>6595</b>	<b>7063</b>	<b>468</b>
<u>Traffic Control</u>			
Utilities	1665	1365	(300)
Repairs and Maintenance	<u>473</u>	<u>570</u>	<u>97</u>
<b>Total Traffic Control</b>	<b>\$ 2138</b>	<b>\$ 1935</b>	<b>\$ (203)</b>

The notes to the financial statements are an integral part of this report.



CITY OF IRON RIVER
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STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
(CONTINUED)

MAJOR STREET FUND

FISCAL YEAR ENDED JUNE 30, 2004

<u>EXPENDITURES</u> (Continued)	<u>ACTUAL</u>	<u>BUDGET</u>	VARIANCE Favorable (Unfavorable)
State Trunkline Maintenance (Cont'd)			
<u>Snow Removal</u>			
Salaries and Wages	\$ 4516	\$ 4520	\$ 4
Fringe Benefits	3945	3757	(188)
Supplies	2205	2205	0
Equipment Rental	<u>11016</u>	<u>13220</u>	<u>2204</u>
Total Snow Removal	21682	23702	2020
 Total State Trunkline Maintenance	 36022	 40714	 4692
 TOTAL EXPENDITURES	 443463	 560363	 116900
 Excess of Revenues Over (Under) Expenditures	 (20676)	 (30611)	 9935
 <u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	0	0	0
Operating Transfers (Out)	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OTHER FINANCING SOURCES (USES)	0	0	0
 Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	 <u>(20676)</u>	 <u>(30611)</u>	 <u>9935</u>
 FUND BALANCE, Beginning of Year	 <u>394921</u>		
FUND BALANCE, End of Year	\$ <u>374245</u>		

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER
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## BALANCE SHEET

## LOCAL STREET FUND

JUNE 30, 2004

ASSETS

Cash	\$	<u>212641</u>
TOTAL ASSETS		<u><u>212641</u></u>

LIABILITIES AND FUND EQUITY  
LIABILITIES

Accounts Payable	2300
Accrued Benefits	<u>1501</u>
TOTAL LIABILITIES	3801

FUND EQUITY

Fund Balance, Reserved	<u>208840</u>
TOTAL FUND EQUITY	208840

TOTAL LIABILITIES AND FUND EQUITY	\$ <u><u>212641</u></u>
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The notes to the financial statements are an integral part of this report.

**CITY OF IRON RIVER**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET**

**LOCAL STREET FUND**

*FISCAL YEAR ENDED JUNE 30, 2004*

<u>REVENUES</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u> Favorable (Unfavorable)
<u>Local Sources</u>			
Interest Income	\$ 111	\$ 100	\$ 11
<b>Total Local Sources</b>	<b>111</b>	<b>100</b>	<b>11</b>
<u>State Sources</u>			
State Shared Revenue - Act 51	89137	88291	846
<b>Total State Sources</b>	<b>89137</b>	<b>88291</b>	<b>846</b>
<b>TOTAL REVENUES</b>	<b>89248</b>	<b>88391</b>	<b>857</b>
<u>EXPENDITURES</u>			
<u>Administration</u>			
Salaries and Wages	5246	5250	4
Fringe Benefits	4134	3979	(155)
Other	24	0	(24)
<b>Total Administration</b>	<b>9404</b>	<b>9229</b>	<b>(175)</b>
<u>Routine Maintenance</u>			
Salaries and Wages	14329	14330	1
Fringe Benefits	12175	11650	(525)
Supplies	3450	2800	(650)
Repairs and Maintenance	142	145	3
Equipment Rental	29698	26970	(2728)
<b>Total Routine Maintenance</b>	<b>59794</b>	<b>55895</b>	<b>(3899)</b>
<u>Winter Maintenance</u>			
Salaries and Wages	14719	14800	81
Fringe Benefits	12858	12229	(629)
Supplies	4392	4400	8
Equipment Rental	26736	29000	2264
<b>Total Winter Maintenance</b>	<b>58705</b>	<b>60429</b>	<b>1724</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 127903</b>	<b>\$ 125553</b>	<b>\$ (2350)</b>
Excess of Revenues Over (Under) Expenditures	\$ (38655)	\$ (37162)	\$ (1493)
FUND BALANCE, Beginning of Year	247495		
FUND BALANCE, End of Year	\$ 208840		

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER
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BALANCE SHEET  
DEBT SERVICE FUND

JUNE 30, 2004

ASSETS

Cash and Deposits	\$ <u>6621</u>
TOTAL ASSETS	\$ <u><u>6621</u></u>

FUND EQUITY

Fund Balance, Reserved	<u>6621</u>
TOTAL FUND EQUITY	\$ <u><u>6621</u></u>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER
--------------------

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET

DEBT SERVICE FUND

FISCAL YEAR ENDED JUNE 30, 2004

	<u>ACTUAL</u>	<u>BUDGET</u>	VARIANCE Favorable (Unfavorable)
<u>REVENUES</u>			
Interest Income	\$       9	\$       5	\$       4
<b>TOTAL REVENUES</b>	<b>\$       9</b>	<b>\$       5</b>	<b>\$       4</b>
 <u>EXPENDITURES</u>			
<u>Debt Service</u>			
Principal	69296	69223	(73)
Interest	19433	19477	44
<b>TOTAL EXPENDITURES</b>	<b>88729</b>	<b>88700</b>	<b>(29)</b>
 Excess of Revenues Over (Under) Expenditures	 (88720)	 (88695)	 (25)
 <u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In (Out)	88729	88700	29
 Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	 9	 5	 4
 FUND BALANCE, Beginning of Year	 6612		
FUND BALANCE, End of Year	\$   6621		

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER
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BALANCE SHEET  
CITY OF IRON RIVER BUILDING AUTHORITY (DEBT SERVICE FUND TYPE)

JUNE 30, 2004

ASSETS

Cash and Deposits	\$ <u>3723</u>
TOTAL ASSETS	<u>3723</u>

FUND EQUITY

Fund Balance, Reserved	<u>3723</u>
TOTAL FUND EQUITY	\$ <u>3723</u>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER
--------------------

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
CITY OF IRON RIVER BUILDING AUTHORITY (DEBT SERVICE FUND TYPE)

FISCAL YEAR ENDED JUNE 30, 2004

	<u>ACTUAL</u>	<u>BUDGET</u>	VARIANCE Favorable (Unfavorable)
<b>REVENUES</b>			
Rental Income - City Hall	\$ 23325	\$ 23325	\$ 0
Rental Income - Public Works Building	19892	19893	(1)
Interest Income	<u>56</u>	<u>1</u>	<u>55</u>
<b>TOTAL REVENUES</b>	<b>\$ 43273</b>	<b>\$ 43219</b>	<b>\$ 54</b>
 <b>EXPENDITURES</b>			
<u>Debt Service - City Hall</u>			
Principal	10000	10000	0
Interest	<u>13325</u>	<u>13325</u>	<u>0</u>
<b>Total Debt Service - City Hall</b>	<b>23325</b>	<b>23325</b>	<b>0</b>
<u>Debt Service - Public Works Building</u>			
Principal	15000	15000	0
Interest	<u>4892</u>	<u>4894</u>	<u>2</u>
<b>Total Debt Service - Public Works Building</b>	<b>19892</b>	<b>19894</b>	<b>2</b>
<b>TOTAL EXPENDITURES</b>	<b>43217</b>	<b>43219</b>	<b>2</b>
 Excess of Revenues Over (Under) Expenditures	 56	 0	 56
 FUND BALANCE, Beginning of Year	 <u>3667</u>		
<b>FUND BALANCE, End of Year</b>	<b>\$ <u>3723</u></b>		

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER
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BALANCE SHEET  
CAPITAL PROJECTS - BARRIS PROPERTY/SKATEBOARD PARK

JUNE 30, 2004

ASSETS

Cash and Deposits	\$	43899
Accounts Receivable		<u>1048</u>
TOTAL ASSETS		<u>44947</u>

LIABILITIES AND FUND EQUITY  
LIABILITIES

Accounts Payable	<u>1048</u>
TOTAL LIABILITIES	1048

FUND EQUITY

Fund Balance, Reserved	<u>43899</u>
TOTAL FUND EQUITY	43899
TOTAL LIABILITIES AND FUND EQUITY	\$ <u>44947</u>

The notes to the financial statements are an integral part of this report.



CITY OF IRON RIVER
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STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET

CAPITAL PROJECTS - BARRIS PROPERTY/SKATEBOARD PARK

FISCAL YEAR ENDED JUNE 30, 2004

<u>REVENUES</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u> <u>Favorable</u> <u>(Unfavorable)</u>
Donations	\$ 36055	\$	\$
Grant	10000		
Interest	<u>84</u>	<u>          </u>	<u>          </u>
<b>TOTAL REVENUES</b>	<b>46139</b>	<b>45087</b>	<b>1052</b>
 <u>EXPENDITURES</u>			
Capital Outlay	<u>14016</u>	<u>          </u>	<u>          </u>
<b>TOTAL EXPENDITURES</b>	<b>14016</b>	<b>40000</b>	<b>25984</b>
 Excess of Revenues Over (Under) Expenditures	 32123	 5087	 27036
 <u>OTHER FINANCING SOURCES (USES)</u>			
Transfer In	<u>7410</u>	<u>7410</u>	<u>0</u>
 Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	 39533	 12497	 27036
 FUND BALANCE, Beginning of Year	 <u>4366</u>		
FUND BALANCE, End of Year	\$ <u><u>43899</u></u>		

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER
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**BALANCE SHEET  
WATER FUND**

JUNE 30, 2004

	<u>OPERATION</u>	<u>CONSTRUCTION</u>	<u>TOTAL</u>
<b><u>ASSETS</u></b>			
Cash and Deposits, Unrestricted	\$ 77845	\$ 0	\$ 77845
Cash and Deposits, Restricted	285588	25	285613
Accounts Receivable	91261	0	91261
Due from Other Funds	113000	22193	135193
Property, Plant, and Equipment	5245166	6840745	12085911
Accumulated Depreciation	<u>(1348028)</u>	<u>0</u>	<u>(1348028)</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>4464832</u></b>	<b>\$ <u>6862963</u></b>	<b>\$ <u>11327795</u></b>
<b><u>LIABILITIES AND FUND EQUITY</u></b>			
<b><u>LIABILITIES</u></b>			
Accrued Benefits	5791	0	5791
Accounts Payable	7700	165863	173563
Due to Other Funds	86379	0	86379
Revenue Bonds Payable	<u>1895000</u>	<u>5000000</u>	<u>6895000</u>
<b>TOTAL LIABILITIES</b>	<b>1994870</b>	<b>5165863</b>	<b>7160733</b>
<b><u>FUND EQUITY</u></b>			
Retained Earnings, Unreserved	<u>2469962</u>	<u>1697100</u>	<u>4167062</u>
<b>TOTAL FUND EQUITY</b>	<b><u>2469962</u></b>	<b><u>1697100</u></b>	<b><u>4167062</u></b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ <u>4464832</u></b>	<b>\$ <u>6862963</u></b>	<b>\$ <u>11327795</u></b>

The notes to the financial statements are an integral part of this report.

<b>CITY OF IRON RIVER</b>
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**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS  
WATER FUND**

FISCAL YEAR ENDED JUNE 30, 2004

	<u>OPERATION</u>	<u>CONSTRUCTION</u>	<u>TOTAL</u>
<b><u>OPERATING REVENUES</u></b>			
Water Charges	\$ 632479	\$ 0	\$ 632479
Cost Reimbursement	33210	0	33210
Waterline Services	5383	0	5383
Penalties	16535	0	16535
Equipment Rental	51532	0	51532
Other Income	<u>1682</u>	<u>0</u>	<u>1682</u>
<b>TOTAL OPERATING REVENUES</b>	<b>740821</b>	<b>0</b>	<b>740821</b>
<b><u>OPERATING EXPENSES</u></b>			
<b><u>Office and Administration</u></b>			
Salaries and Wages	31144	0	31144
Fringe Benefits	26573	0	26573
Supplies	2440	0	2440
Professional Services	4208	0	4208
Engineering Services	24651	0	24651
Printing/Publishing	675	0	675
Utilities	1397	0	1397
Other Expense	<u>8665</u>	<u>0</u>	<u>8665</u>
<b>Total Office and Administration</b>	<b>99753</b>	<b>0</b>	<b>99753</b>
<b><u>Public Works</u></b>			
Supplies	497	0	497
Utilities	6558	0	6558
Maintenance and Repair	<u>1617</u>	<u>0</u>	<u>1617</u>
<b>Total Public Works</b>	<b>8672</b>	<b>0</b>	<b>8672</b>
<b><u>Pump Station</u></b>			
Salaries and Wages	7151	0	7151
Fringe Benefits	6135	0	6135
Supplies	93	0	93
Utilities	31055	0	31055
Maintenance and Repair	4931	0	4931
Equipment Rental	3673	0	3673
Other Expense	<u>67</u>	<u>0</u>	<u>67</u>
<b>Total Pump Station</b>	<b>\$ 53105</b>	<b>\$ 0</b>	<b>\$ 53105</b>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER
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**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS**  
**WATER FUND**  
**(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2004

	<u>OPERATION</u>	<u>CONSTRUCTION</u>	<u>TOTAL</u>
<b><u>OPERATING EXPENSES (Continued)</u></b>			
<b><u>Water Lines</u></b>			
Salaries and Wages	\$ 65805	\$ 0	\$ 65805
Fringe Benefits	55113	0	55113
Supplies	5292	0	5292
Printing and Publishing	391	0	391
Contracted Services	1965	0	1965
Engineering Services	12891	0	12891
Water Purchases	18065	0	18065
Maintenance and Repair	26	0	26
Equipment Rental	33888	0	33888
Other Expense	<u>1254</u>	<u>0</u>	<u>1254</u>
<b>Total Water Lines</b>	<b>194690</b>	<b>0</b>	<b>194690</b>
 <b><u>Water Tank</u></b>			
Salaries and Wages	676	0	676
Fringe Benefits	580	0	580
Utilities	6207	0	6207
Equipment Rental	<u>110</u>	<u>0</u>	<u>110</u>
<b>Total Water Tank</b>	<b>7573</b>	<b>0</b>	<b>7573</b>
 <b><u>Water Hydrants</u></b>			
Salaries and Wages	4711	0	4711
Fringe Benefits	4073	0	4073
Supplies	112	0	112
Equipment Rental	<u>3188</u>	<u>0</u>	<u>3188</u>
<b>Total Water Hydrants</b>	<b>12084</b>	<b>0</b>	<b>12084</b>
 <b><u>Water Meters</u></b>			
Salaries and Wages	22872	0	22872
Fringe Benefits	19705	0	19705
Supplies	7336	0	7336
Equipment Rental	<u>14772</u>	<u>0</u>	<u>14772</u>
<b>Total Water Meters</b>	<b>\$ 64685</b>	<b>\$ 0</b>	<b>\$ 64685</b>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER
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**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS  
WATER FUND  
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2004

	<u>OPERATION</u>	<u>CONSTRUCTION</u>	<u>TOTAL</u>
<b><u>OPERATING EXPENSES</u> (Continued)</b>			
<b><u>Fluoridation</u></b>	\$	\$	\$
Supplies	105	0	105
<b>Total Fluoridation</b>	105	0	105
<b><u>Other Expenses</u></b>			
Depreciation	220377	0	220377
<b>Total Other Expenses</b>	220377	0	220377
 TOTAL OPERATING EXPENSES	 661044	 0	 661044
OPERATING INCOME (LOSS)	79777	0	79777
 <b><u>NON OPERATING INCOME</u></b>			
Interest Income	3014	0	3014
Federal Grant - Waterline Construction	0	1697100	1697100
 <b><u>NON OPERATING EXPENSE</u></b>			
Interest Expense	(252508)	0	(252508)
 NET INCOME (LOSS)	 (169717)	 1697100	 1527383
 RETAINED EARNINGS, Beginning of Year	 2639679	 0	 2639679
<b>RETAINED EARNINGS, End of Year</b>	<b>\$ 2469962</b>	<b>\$ 1697100</b>	<b>\$ 4167062</b>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER
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STATEMENT OF CASH FLOWS  
WATER FUND

FISCAL YEAR ENDED JUNE 30, 2004

CASH FLOWS FROM (USED BY)

OPERATING ACTIVITIES

Net cash received from fees and services	\$ 617873
Other operating revenues	108342
Cash payments to employees for services	(238747)
Cash payments for goods and services	(30989)
Other operating expenses	<u>0</u>

NET CASH FROM OPERATING ACTIVITIES	\$ 456479
------------------------------------	-----------

NON CAPITAL AND FINANCING ACTIVITIES

Increase (decrease) in due to other funds	64186
(Increase) decrease in due from other funds	<u>(113000)</u>

NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES	(48814)
---	---------

CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	(1915555)
Principal payment on long-term bonds	(92000)
Interest paid on long-term bonds	(252508)
Proceeds from borrowing	21000
Cost of Issuance - Bonds	0
Contributed capital grants	1697100
Other Grants	<u>0</u>

NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(541963)
--	----------

INVESTING ACTIVITIES

Interest Income	<u>3014</u>
-----------------	-------------

NET CASH FROM INVESTING ACTIVITIES	3014
------------------------------------	------

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(131284)
---	----------

Cash and Cash Equivalents, Beginning of Year	<u>494742</u>
--	---------------

Cash and Cash Equivalents, End of Year	\$ 363458
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The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

STATEMENT OF CASH FLOWS  
WATER FUND

FISCAL YEAR ENDED JUNE 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES

Operating Income (Loss)	\$	\$ 79777
Adjustment to reconcile operating income to net cash provided by operating activities:		
. Depreciation	220377	
. Provision for uncollectible accounts	0	
. Changes in assets and liabilities:		
(Increase) Decrease in accounts receivable	(14606)	
Increase (Decrease) in accounts payable	170931	
Increase (Decrease) in deferred revenue	0	
Increase (Decrease) in customer deposits	<u>0</u>	
NET ADJUSTMENTS		<u>376702</u>
NET CASH FROM OPERATING ACTIVITIES		\$ <u>456479</u>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER
--------------------

**BALANCE SHEET  
SEWER FUND**

JUNE 30, 2004

**ASSETS**

Cash and Deposits, Unrestricted	\$ 2824
Cash and Deposits, Restricted	253556
Accounts Receivable	90878
Property, Plant, and Equipment	2666718
Accumulated Depreciation	<u>(970415)</u>
<b>TOTAL ASSETS</b>	<b>2043561</b>

**LIABILITIES AND FUND EQUITY**  
**LIABILITIES**

Accounts Payable	3000
Accrued Benefits	2253
Due to Other Funds	<u>125719</u>
<b>TOTAL LIABILITIES</b>	<b>130972</b>

**FUND EQUITY**

Reserved	253556
Unreserved	<u>1659033</u>
<b>TOTAL FUND EQUITY</b>	<b>1912589</b>

<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ <u>2043561</u></b>
--	--------------------------

The notes to the financial statements are an integral part of this report.



CITY OF IRON RIVER

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS  
SEWER FUND

FISCAL YEAR ENDED JUNE 30, 2004

OPERATING REVENUES

Sewer Charges	
Penalties	\$ 591478
Miscellaneous	16181
	<u>10644</u>
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 618303</b>

OPERATING EXPENSES

Office and Administration

Salaries and Wages	26074
Fringe Benefits	22230
Fees and Services	3650
Supplies	1966
Printing/Publishing	112
Contract Services	39334
Miscellaneous	5975
Rental Expense	2400
Depreciation	<u>40996</u>
<b>Total Office and Administration</b>	<b>142737</b>

Sewer Lines

Salaries and Wages	19095
Fringe Benefits	15959
Supplies	4454
Repairs and Maintenance	7352
Professional Services	190
Rental Expense	<u>17455</u>
<b>Total Sewer Lines</b>	<b>64505</b>

Lift Station

Salaries and Wages	6323
Fringe Benefits	5415
Supplies	163
Repairs and Maintenance	1106
Utilities	2690
Rental Expense	<u>6568</u>
<b>Total Lift Station</b>	<b>\$ 22265</b>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS  
SEWER FUND  
(CONTINUED)

FISCAL YEAR ENDED JUNE 30, 2004

<u>OPERATING EXPENSES</u> (Continued)	
<u>Sewer Treatment</u>	
Contract Services - O & M	\$ 225426
Contract Services - Debt Retirement	<u>131163</u>
Total Sewer Treatment	356589
 TOTAL OPERATING EXPENSES	 \$ 586096
 OPERATING INCOME (LOSS)	 32207
 <u>NON-OPERATING INCOME</u>	
Interest Income	496
 NET INCOME (LOSS)	 32703
 RETAINED EARNINGS, Beginning of Year	 <u>1879886</u>
RETAINED EARNINGS, End of Year	\$ <u>1912589</u>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER

STATEMENT OF CASH FLOWS  
SEWER FUND

FISCAL YEAR ENDED JUNE 30, 2004

CASH FLOWS FROM (USED BY)

OPERATING ACTIVITIES

Net cash received from fees and services	\$ 572305
Other operating revenues	26825
Cash payments to employees for services	(92843)
Cash payments for goods and services	(451551)
Other operating expenses	<u>0</u>

NET CASH FROM OPERATING ACTIVITIES	\$ 54736
------------------------------------	----------

NON CAPITAL AND FINANCING ACTIVITIES

Increase (Decrease) in due to other funds	125719
Net operating transfers in (out)	<u>0</u>

NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES	125719
---	--------

CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	0
Principal payment on long-term bonds	0
Interest paid on long-term bonds	0
Proceeds from borrowing	0
Contributed capital grants	0
Other Grants	<u>0</u>

NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	0
--	---

INVESTING ACTIVITIES

Interest Income	<u>496</u>
-----------------	------------

NET CASH FROM INVESTING ACTIVITIES	496
------------------------------------	-----

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	180951
---	--------

Cash and Cash Equivalents, Beginning of Year	<u>75429</u>
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Cash and Cash Equivalents, End of Year	\$ 256380
--	-----------

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER
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STATEMENT OF CASH FLOWS  
SEWER FUND

FISCAL YEAR ENDED JUNE 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES

Operating Income (Loss)	\$	\$ 32207
Adjustment to reconcile operating income to net cash provided by operating activities:		
. Depreciation	40996	
. Provision for uncollectible accounts	0	
. Changes in assets and liabilities:		
(Increase) Decrease in accounts receivable	(19173)	
Increase (Decrease) in accounts payable	706	
Increase (Decrease) in deferred revenue	0	
Increase (Decrease) in customer deposits	0	
NET ADJUSTMENTS		<u>22529</u>
NET CASH FROM OPERATING ACTIVITIES	\$	<u><u>54736</u></u>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER
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BALANCE SHEET  
RV PARK FUND

JUNE 30, 2004

ASSETS

Cash and Deposits, Unrestricted	\$	7269
Property, Plant, and Equipment		201372
Accumulated Depreciation		<u>(80311)</u>
TOTAL ASSETS	\$	<u>128330</u>

LIABILITIES AND FUND EQUITY  
LIABILITIES

Accrued Benefits	<u>285</u>
TOTAL LIABILITIES	285

FUND EQUITY

Retained Earnings, Unreserved	<u>128045</u>
TOTAL FUND EQUITY	128045
TOTAL LIABILITIES AND FUND EQUITY	\$ <u>128330</u>

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER
--------------------

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS  
RV PARK FUND

FISCAL YEAR ENDED JUNE 30, 2004

OPERATING REVENUES

Camper Fees	\$ 37112
Other	<u>3125</u>

TOTAL OPERATING REVENUES	\$ 40237
--------------------------	----------

OPERATING EXPENSES

General and Administrative

Supplies	3116
Contract Services	4749
Utilities	12775
Maintenance and Repair	533
Printing and Publishing	1583
Fees and Services	7150
Depreciation	7139
Other	<u>143</u>

Total General and Administrative	37188
----------------------------------	-------

General Maintenance

Salaries and Wages	6514
Fringe Benefits	5543
Equipment Rental	<u>9428</u>

Total General Maintenance	<u>21485</u>
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TOTAL OPERATING EXPENSES	\$ <u>58673</u>
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OPERATING INCOME (LOSS)	(18436)
-------------------------	---------

NON-OPERATING INCOME

Interest Income	<u>17</u>
-----------------	-----------

NET INCOME (LOSS)	(18419)
-------------------	---------

RETAINED EARNINGS, Beginning of Year	<u>146464</u>
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RETAINED EARNINGS, End of Year	\$ <u><u>128045</u></u>
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The notes to the financial reports are an integral part of this report.

CITY OF IRON RIVER
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**STATEMENT OF CASH FLOWS  
RV PARK FUND**

*FISCAL YEAR ENDED JUNE 30, 2004*

**CASH FLOWS FROM (USED BY)**

**OPERATING ACTIVITIES**

Net cash received from fees and services	\$	37112
Other operating revenues		3125
Cash payments to employees for services		(12057)
Cash payments for goods and services		(39192)
Other operating expenses		0
		0

NET CASH FROM OPERATING ACTIVITIES	\$	(11012)
------------------------------------	----	---------

**NON CAPITAL AND FINANCING ACTIVITIES**

(Increase) decrease in due from other funds		0
Net operating transfers in (out)		0
		0

NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES		0
---	--	---

**CAPITAL AND RELATED FINANCING ACTIVITIES**

Acquisition and construction of capital assets		0
Principal payment on long-term bonds		0
Interest paid on long-term bonds		0
Interest and tax expense		0
Proceeds from borrowing		0
Contributed capital grants		0
		0

NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES		0
--	--	---

**INVESTING ACTIVITIES**

Interest Income		17
		17

NET CASH FROM INVESTING ACTIVITIES		17
------------------------------------	--	----

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(10995)
---	--	---------

Cash and Cash Equivalents, Beginning of Year		18264
		18264

Cash and Cash Equivalents, End of Year	\$	7269
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The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER
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STATEMENT OF CASH FLOWS  
RV PARK FUND

FISCAL YEAR ENDED JUNE 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES

Operating Income (Loss)	\$	\$ (18436)
Adjustment to reconcile operating income to net cash provided by operating activities:		
. Depreciation	7139	
. Provision for uncollectible accounts	0	
. Changes in assets and liabilities:		
(Increase) Decrease in accounts receivable	0	
Increase (Decrease) in accounts payable	285	
Increase (Decrease) in deferred revenue	0	
Increase (Decrease) in customer deposits	<u>0</u>	
NET ADJUSTMENTS		<u>7424</u>
NET CASH FROM OPERATING ACTIVITIES		\$ <u>(11012)</u>

The notes to the financial statements are an integral part of this report.



CITY OF IRON RIVER
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BALANCE SHEET  
DISCRETELY PRESENTED COMPONENT UNIT  
DOWNTOWN DEVELOPMENT AUTHORITY

JUNE 30, 2004

ASSETS

Cash and Deposits	\$	7533
Taxes Receivable		<u>2216</u>
TOTAL ASSETS	\$	<u>9749</u>

LIABILITIES AND FUND EQUITY  
LIABILITIES

Accounts Payable	<u>749</u>
TOTAL LIABILITIES	749

FUND EQUITY

Fund Balance, Unreserved	<u>9000</u>
TOTAL FUND EQUITY	9000

TOTAL LIABILITIES AND FUND EQUITY	\$ <u>9749</u>
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The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER
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STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET

DISCRETELY PRESENTED COMPONENT UNIT  
DOWNTOWN DEVELOPMENT AUTHORITY

FISCAL YEAR ENDED JUNE 30, 2004

	<u>ACTUAL</u>	<u>BUDGET</u>	VARIANCE Favorable (Unfavorable)
<b><u>REVENUES</u></b>			
Property Tax	\$ 18357	\$	\$
Interest Income	<u>18</u>	<u>          </u>	<u>          </u>
<b>TOTAL REVENUES</b>	<b>\$ 18375</b>	<b>\$ 18370</b>	<b>\$ 5</b>
 <b><u>EXPENDITURES</u></b>			
Community Promotion	2600		
Contract Services	12080		
Supplies	248		
Publishing and Printing	835		
Utilities	7		
Fees and Services	<u>1455</u>	<u>          </u>	<u>          </u>
<b>TOTAL EXPENDITURES</b>	<b>17225</b>	<b>15220</b>	<b>(2005)</b>
 Excess of Revenues Over (Under) Expenditures	 1150	 3150	 (2000)
 FUND BALANCE, JULY 1	 <u>7850</u>		
FUND BALANCE, JUNE 30	\$ <u><u>9000</u></u>		

The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER
--------------------

BALANCE SHEET  
DISCRETELY PRESENTED COMPONENT UNIT  
TAX INCREMENT FINANCING AUTHORITY

JUNE 30, 2004

ASSETS

Cash and Deposits	\$ 70255
<b>TOTAL ASSETS</b>	<b><u>70255</u></b>

LIABILITIES AND FUND EQUITY  
LIABILITIES

Accounts Payable	1355
Accrued Benefits	<u>574</u>
<b>TOTAL LIABILITIES</b>	<b>1929</b>

FUND EQUITY

Fund Balance, Unreserved	<u>68326</u>
<b>TOTAL FUND EQUITY</b>	<b>68326</b>

<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ <u>70255</u></b>
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The notes to the financial statements are an integral part of this report.

CITY OF IRON RIVER
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STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET

DISCRETELY PRESENTED COMPONENT UNIT  
TAX INCREMENT FINANCING AUTHORITY

FISCAL YEAR ENDED JUNE 30, 2004

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u> <u>Favorable</u> <u>(Unfavorable)</u>
<b>REVENUES</b>			
Property Tax	\$ 111457	\$	\$
Interest Income	<u>167</u>	<u>          </u>	<u>          </u>
<b>TOTAL REVENUES</b>	<b>\$ 111624</b>	<b>\$ 111572</b>	<b>\$ 52</b>
 <b>EXPENDITURES</b>			
Salaries and Wages	13127		
Fringe Benefits	11345		
Repairs and Improvements	19		
Rebates	17886		
Contract Services	5350		
Equipment Rental	22320		
Community Promotion	2000		
Capital Outlay	46860		
Utilities	7088		
Donations	<u>10000</u>	<u>          </u>	<u>          </u>
<b>TOTAL EXPENDITURES</b>	<b>135995</b>	<b>142178</b>	<b>6183</b>
 Excess of Revenues Over (Under) Expenditures	 (24371)	 (30606)	 6235
 <b>OTHER FINANCING SOURCES (USES)</b>			
Contributions from City of Iron River - Winter Maintenance	<u>17117</u>	<u>17117</u>	<u>-0-</u>
 Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	 (7254)	 (13489)	 6235
 FUND BALANCE, Beginning of Year	 <u>75580</u>		
FUND BALANCE, End of Year	<b>\$ <u>68326</u></b>		

The notes to the financial statements are an integral part of this report.

# ***DS Rostagno, CPA, P.C.***

***101 West Maple Street, Iron River, MI 49935  
Tel (906) 265-1040 Fax (906) 265-1042***

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**  
BASED ON AN AUDIT OF GENERAL PURPOSE OR BASIC FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Members of the City Council  
City of Iron River  
Iron River, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Iron River as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 19, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## **Compliance**

As part of obtaining reasonable assurance about whether the City of Iron River's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which we have reported to the management of the City of Iron River in a separate letter dated November 19, 2004.

## **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Iron River's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the board, administration, and federal awarding agencies and pass-through entities, and it is not intended to be, and should not be, used by anyone other than these specified parties.



Dianne S. Rostagno  
DS ROSTAGNO, CPA, P.C.

November 19, 2004

# ***DS Rostagno, CPA, P.C.***

***101 West Maple Street, Iron River, MI 49935  
Tel (906) 265-1040 Fax (906) 265-1042***

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and Members of the City Council  
City of Iron River  
Iron River, Michigan 49935

### **Compliance**

We have audited the compliance of the City of Iron River with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. The City of Iron River's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs, and the Schedule of Expenditures of Federal Awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Iron River's management. Our responsibility is to express an opinion on the City of Iron River's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Iron River's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Iron River's compliance with those requirements.

In our opinion, the City of Iron River complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

### **Internal Control Over Compliance**

The management of the City of Iron River is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Iron River's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Page Two

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board, administration, and federal awarding agencies and pass-through entities, and it is not intended to be, and should not be, used by anyone other than these specified parties.



Dianne S. Rostagno  
DS ROSTAGNO, CPA, P.C.

November 19, 2004



CITY OF IRON RIVER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FISCAL YEAR ENDED JUNE 30, 2004

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE GRANT NUMBER	FEDERAL GRANT CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 7/1/03	(MEMORANDUM ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	CURRENT YEAR CASH RECEIPTS	ACCRUED (DEFERRED) REVENUE 6/30/04	ADJUSTMENTS
<u>US Department of</u>								
<u>Agriculture Other</u>								
<u>Federal Assistance</u>								
2001 Water Supply								
System Improvements -								
(Loan)	*	10	\$ 5000000	\$ (883)	\$ 4978117	\$ 21883	\$ 21000	\$ -0-
2001 Water Supply								
System Improvements -								
(Grant)	*	10	<u>2415000</u>	<u>-0-</u>	<u>-0-</u>	<u>1862938</u>	<u>1697100</u>	<u>165838</u>
								<u>-0-</u>
 TOTAL US DEPARTMENT OF AGRICULTURE OTHER FEDERAL ASSISTANCE								
			\$ 7415000	\$ (883)	\$ 4978117	\$ 1884821	\$ 1718100	\$ 165838
								\$ -0-
 TOTAL FEDERAL FINANCIAL ASSISTANCE								
			\$ 7415000	\$ (883)	\$ 4978117	\$ 1884821	\$ 1718100	\$ 165838
								\$ -0-

NOTES:

1. \*Designates Major Program
2. In accordance with OMB Circular A-133, since federal awards expended were greater than \$300,000 but less than \$10 million, Type A programs are those programs with expended funds of \$300,000 or more. Based on this threshold, the 2001 Water Supply System Improvement was the only Type A program.

CITY OF IRON RIVER

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**A. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Iron River and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**B. MAJOR PROGRAMS**

Major programs were determined by a risk based approach, which includes consideration of current and prior audit expenses, oversight by federal agencies and pass-through entities, and inherent risk of the program in addition to the \$300,000 expenditure threshold.

**CITY OF IRON RIVER**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

FOR THE YEAR ENDED JUNE 30, 2004

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

- . Material weakness(es) identified? ☐ yes ☒ no
- . Reportable condition(s) identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

**Federal Awards**

Internal control over major programs:

- . Material weakness(es) identified? ☐ yes ☒ no
- . Reportable condition(s) identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

☐ yes ☒ no

Identification of major programs:

**CFDA Numbers**

**Name of Federal Program of Cluster**

<u>10 US Department of</u>	<u>2001 Water Supply System</u>
<u>Agriculture</u>	<u>Improvements</u>

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

☒ yes ☐ no

CITY OF IRON RIVER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2004  
(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

There are no matters to be reported.

CITY OF IRON RIVER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2004  
(Continued)

SECTION III- FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no matters to be reported.

# ***DS Rostagno, CPA, P.C.***

***101 West Maple Street, Iron River, MI 49935  
Tel (906) 265-1040 Fax (906) 265-1042***

Honorable Mayor and Members of the City Council  
City of Iron River  
Iron River, Michigan 49935

In planning and performing the audit of the financial statements of the City of Iron River, I considered the City's internal control structure to plan the auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure.

However, during my audit, I noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. This letter does not affect my report dated November 19, 2004 on the financial statements of the City of Iron River. I will review the status of these comments during my next audit engagement. My comments and recommendations, which have been discussed with appropriate City officials, are intended to improve the internal control structure or result in other operating efficiencies. I will be pleased to discuss these comments in further detail at your convenience or to assist you in implementing the recommendations. My comments are summarized as follows:

## **BUDGETARY**

### **Problem**

During the year ended June 30, 2004, the City incurred several expenditures which were in excess of amounts appropriated.

### **Recommendation**

In the future, closer monitoring should be done in regards to budgetary appropriations and expenditures.

## **DEQ CONSENT ORDER**

### **Problem**

In conjunction with the prior audit, it was noted that the City was in violation of an administrative consent order from the Michigan Department of Environmental Quality, which required that the City generate a designated amount of money each year from its sewer customers to be set aside in an escrow account established by the City. Funds are to be used for approved expenses generated to fund improvements to the wastewater collection system. As of June 30, 2003, the escrow account had not been established, and although additional revenue had been generated for this purpose, the money had been expended for other purposes.

DEQ CONSENT ORDER (Continued)

Recommendation

It was recommended that the City work with the Department of Environmental Quality to resolve these problems immediately. It was advised that an escrow account be established, and a plan designed to catch up to the required funding level. It was further advised that deposits be made regularly into the escrow account to assure compliance with the terms of the consent order, the amount to be collected annually adjusted for inflation on July 01 of every year.

Also, by July 31 of each year, the City was required to submit a report to the Marquette District Supervisor of the Surface Water Quality Division detailing the income, expenses, and balances of this escrow account.

Resolution

This has been satisfactorily resolved.

SUPPORTING DOCUMENTATION - EQUIPMENT RENTAL

Problem

Insufficient documentation exists to link the equipment rental on employee time sheets to the equipment rental summary sheets. Office staff must occasionally interpret the data on the time sheets, but there is a lack of documentation of these interpretations, resulting in an inability to reconcile the two at a later date.

Recommendation

Employee time sheets should provide more clarification regarding equipment rental, and any interpretations required by office staff should be noted on the face of these time sheets, so that future agreements of the time sheets and the equipment rental summaries be made possible.

The above recommendations have been discussed with City officials.

It has been a pleasure working with the City Officials, and I wish to express my appreciation for their cooperation and assistance during the audit engagement.

Yours very truly,



Dianne S. Rostagno  
DS ROSTAGNO, CPA, P.C.

November 19, 2004

# ***DS Rostagno, CPA, P.C.***

***101 West Maple Street, Iron River, MI 49935  
Tel (906) 265-1040 Fax (906) 265-1042***

November 19, 2004

Honorable Mayor and Members of the City Council  
**City of Iron River**  
Iron River, Michigan 49935

I have audited the financial statements of the **City of Iron River** for the year ended June 30, 2004, and have issued my report thereon dated November 19, 2004. Professional standards require that I provide you with the following information related to the audit:

## **My Responsibility under Generally Accepted Auditing Standards and Government Auditing Standards**

As stated in my engagement letter dated May 22, 2002, my responsibility, as described by professional standards, is to plan and perform the audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because an audit is designed to provide reasonable, but not absolute assurance and because I did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by me.

As part of the audit, I considered the internal control of the **City of Iron River**. Such considerations were solely for the purpose of determining the audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of the **City of Iron River's** compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my tests was not to provide an opinion on compliance with such provisions.

## **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the **City of Iron River** are described in the Note to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during this year. We noted no transactions entered into by the **City of Iron River** during the year that were both significant and unusual, and of which, under professional standards, I am required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.



### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

There were no sensitive estimates affecting the financial statements as presented.

### Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgement, may not have been detected except through my auditing procedures. These adjustments may include those proposed by me but not recorded by the **City of Iron River** that could potentially cause future financial statements to be materially misstated, even though I have concluded that such adjustments are not material to the current financial statements. I proposed no audit adjustments that could, in my judgement, either individually or in the aggregate, have a significant effect on the **City of Iron River's** financial reporting process.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to my satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of the audit.

### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

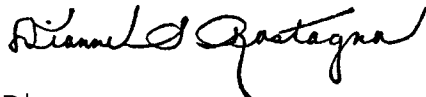
I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the **City of Iron River's** auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing the audit.

This information is intended solely for the use of the Board and management of the **City of Iron River** and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Dianne S. Rostagno".

Dianne S. Rostagno  
DS ROSTAGNO, CPA, P.C.